

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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D 8523 B

France's most
painful
budget, Page 3

Algeria	Sch 15	Indonesia	Rp 2500	Portugal	Esc 65
Argentina	Do 0.050	Italy	L 1100	S. Arabia	Rc 6.00
Australia	A\$ 2.25	Japan	Y 1500	Singapore	S\$ 4.10
Canada	C\$ 2.50	South Korea	W 1000	Spain	Pes 50
Denmark	Dkr 7.00	Taiwan	Nt 50.00	Sweden	Skr 6.10
France	F 100	Thailand	Bt 5.00	Switzerland	Sfr 7.20
Germany	DM 2.00	U.S.A.	\$ 1.00	U.K.	£ 1.00
Greece	Dr 200				
Hong Kong	HK\$ 1.00				
India	Rs 15				
Iran	Ri 100				
Israel	Sh 20				
Italy	L 1100				
Japan	Y 1500				
South Korea	W 1000				
Taiwan	Nt 50.00				
Thailand	Bt 5.00				
U.S.A.	\$ 1.00				
U.K.	£ 1.00				
Switzerland	Sfr 7.20				
Sweden	Skr 6.10				
Spain	Pes 50				
Singapore	S\$ 4.10				
S. Arabia	Rc 6.00				
Portugal	Esc 65				
Indonesia	Rp 2500				
Algeria	Sch 15				
Argentina	Do 0.050				
Australia	A\$ 2.25				
Canada	C\$ 2.50				
Denmark	Dkr 7.00				
France	F 100				
Germany	DM 2.00				
Greece	Dr 200				
Hong Kong	HK\$ 1.00				
India	Rs 15				
Iran	Ri 100				
Israel	Sh 20				
Italy	L 1100				
Japan	Y 1500				
South Korea	W 1000				
Taiwan	Nt 50.00				
Thailand	Bt 5.00				
U.S.A.	\$ 1.00				
U.K.	£ 1.00				
Switzerland	Sfr 7.20				
Sweden	Skr 6.10				
Spain	Pes 50				
Singapore	S\$ 4.10				
S. Arabia	Rc 6.00				
Portugal	Esc 65				
Indonesia	Rp 2500				

NEWS SUMMARY

GENERAL

U.S. task force strength boosted

SOME 2,000 U.S. marines joined the U.S. task force in Lebanon in a move to strengthen the 5,000 United Nations military presence in and around Beirut. But they stayed offshore.

The U.S. marines, who were already land-based, came under small arms fire from anti-Government Shi-ites.

Diplomatic moves to end the fighting between Druze tribesmen, backed by the Lebanese Government, by Syrians and Palestinians, and the Lebanese, are continuing. Saudi Prince Bandar bin Sultan is shuttling between Cyprus and Damascus. Page 20

Canadian television reporter Clark Todd, 38, died in Lebanon after being hit by artillery shrapnel.

French outcry

The election of four members of the far-right French National Front to the town council of Dreux, 55 miles (88 km) west of Paris and with a large North African population, has caused an outcry in France. Page 20

Hamburg sit-in

Workers at Howaldtswerke Deutsche Werft occupied the Hamburg shipyard in protest at the planned redundancy of more than 4,000 workers.

Zimbabwe trial

Ten members of Zimbabwe's Zanu opposition party went on trial charged with attempting a coup to install Joshua Nkomo in power. In Atlanta, Georgia, Premier Robert Mugabe invited black Americans to come to Zimbabwe as teachers.

Aquino inquiry delay

The five-man commission set up by Philippines President Ferdinand Marcos to investigate the killing of opposition leader Benigno Aquino has suspended hearings following challenges to the propriety of Chief Justice Enrique Fernando acting as chairman. Page 4

U.S. consul expelled

The Soviet Union expelled Lon Augustenberg, U.S. vice-consul in Leningrad, alleging that he and his wife had been caught spying.

Infiltration claim

Hundreds of well-trained Communist Party officials have infiltrated West Germany's anti-nuclear movement, alleged a senior Interior Ministry official.

Afghan rebel gains

Afghan guerrillas control the bazaar areas in Kabul, Urgan and Jaji, three towns with good road links to Pakistan, say supporters in Pakistan.

Convicts on strike

More than a thousand prisoners in four Italian prisons went on hunger strike demanding penal reforms.

China's husbands

Hasty marriages, bullying husbands and adultery were blamed by a senior official for a significant increase in China's divorce rate.

Briefly...

Methane gas explosion killed 63 people at a mine near Vryheid, Natal, South Africa.
Pakistan forces shot dead five anti-Government protesters at a town in Sind province.
Two Picasso paintings were stolen from a Corpus Christi, Texas, museum.

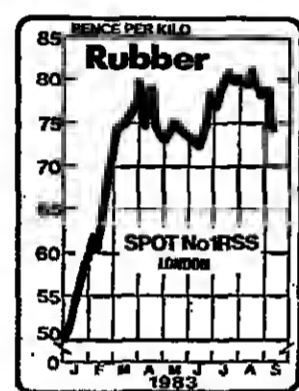
BUSINESS

Saga in \$83m sell-off to Statoil

SAGA PETROLEUM, the Norwegian oil independent, plans to sell its loss-making petrochemical offshoot Saga Petrokem to state-owned Statoil for Nkr 621m (\$83m). Page 21

DOLLAR fell to DM 2.6605 (from DM 2.674), Ffr 8.0125 (Ffr 8.04), Sfr 2.163 (Sfr 2.1705) and Y243.4 (Y244.6). Its Bank of England trade-weighted index fell from 128.6 to 128.3. In New York the dollar closed at DM 2.680; Sfr 2.1732, Ffr 8.04 and Y243.85. Page 37

STERLING rose 85 points to \$1.5025, and to DM 4 (DM 3.995), Ffr 12.035 (Ffr 11.9875), Sfr 3.2525 (Sfr 3.2425) and Y366 (Y365.5). Its trade-weighted index edged up from 84.7 to 84.9. In New York, sterling closed at \$1.4965. Page 37



RUBBER prices fell in London, with the spot quotation down 3p to 74p (\$1.11) a kilo, 7.5p below the three-year peak reached last month. Page 36

LONDON: FT Industrial Ordinary index rose 3.0 to 707.9. Government Securities showed gains averaging more than 1 per cent. Report, FT Share Information Service, Pages 31-33

GOLD fell \$0.25 in London to \$141.415. In Frankfurt it rose \$1.25 to \$141.6, and in Zurich it went up \$2 to \$141.7. In New York the Comex September gold settlement closed at \$140.3 (\$141.5). Page 36

WALL STREET closed 10.67 down at 1229.07. Full share listings Pages 27-28.

TOKYO: Nikkei Dow index rose 51.12 to 9355.12, and the Stock Exchange index 3.43 to 687.63. Report, Page 27. Leading prices, other exchanges, Page 30

AUSTRALIA had an August balance of payments surplus of A\$391m (U.S.\$342m), compared with an A\$117m surplus in July. It was boosted by a net capital inflow of A\$956m.

ZIMBABWE forecasts a 1983 current account deficit of Z\$300m-400m (\$285m-380m). Page 4

TAIWAN: Three U.S. companies plan to step up their high-technology investments. Page 6

SWEDISH unemployment rose to a record 179,000, 4 per cent of the workforce, in August. Page 2

PHILIPPINES brought in new austerity measures, including restrictions on foreign borrowing and import controls, to conserve foreign exchange.

CREUSOT-LOIRE, the French engineering major controlled by the private Empain-Schneider group, is expected to decide today on a major restructuring, likely to involve the sale of its steel assets to one or both of the nationalised groups Usinor and Sacilor. Page 21

NORTHWEST ENERGY shares jumped sharply yesterday in the U.S. following a \$620m counter-bid by Tulsa-based Williams Companies. Page 21

Brazil to accept IMF demands on debt rescue

BY PETER MONTAGNON IN BASLE AND ANDREW WHITLEY IN RIO DE JANEIRO
Brazil is to sign its Letter of Intent to the International Monetary Fund (IMF) this Thursday paving the way for implementation of a multi-billion dollar international debt rescue package, Dr Fritz Leutwiler, president of the Bank for International Settlements (BIS), said in Basle yesterday.

Dr Leutwiler said he was told of Brazil's new deadline last Friday by M Jacques de Larosiere, the IMF Managing Director. The deadline was also confirmed to him by Brazil's finance minister, Sr Ernane Galvao.

In Brasilia the Finance Ministry confirmed last night that Brazil intended to sign the Letter of Intent to the IMF, following Wednesday's planned meeting of the key National Monetary Council. Sr Galvao, and Sr Affonso Pastore, the central bank governor, are due to fly back from New York on Tuesday night to attend the meeting.

The long awaited Letter of Intent - setting out controversial new austerity policies for Brazil - is the key condition for a rescue package from governments and commercial bank creditors amounting to up to \$11bn. Brazil's new deadline for signing its Letter of Intent marks a strong contrast with statements last week from senior Brazilian officials who

said that there was no urgency for Brazil to reach agreement with the IMF. Dr Leutwiler commented yesterday that Mr de Larosiere had apparently persuaded Brazil otherwise.

Dr Leutwiler also made it clear, following the monthly meeting of BIS governors yesterday, that the BIS will not contribute to the rescue package by extending further bridging finance.

Brazil is behind with payment of \$800m in principal to the BIS from its existing \$1.45bn loan, granted last winter, though it has been paying interest, he said. "There is no question of extending this loan well into 1984."

At their meeting yesterday, the BIS governors did, however, decide not to press for immediate payment of the \$800m now overdue in view of Brazil's "good prospects" of reaching agreement with the Fund, he said. "The BIS expects repayment at

the very moment that Brazil is able to draw on the IMF," he said, adding that he hoped the Fund would speed up its procedures to allow a quick ratification of the Letter of Intent by the IMF's executive board.

Other central bankers said that it is likely to be well into October before this happens, and Brazil can resume drawing on a \$4.6bn IMF loan which was blocked in May, when it started missing its loan targets.

This means that Brazil does not currently stand to obtain the badly needed finance to reduce more than \$2bn in foreign exchange arrears before the end of this month, when U.S. commercial bank creditors will

Continued on Page 20

Airlines accounts blocked, U.S. Congress and IMF BIS, international supervision tightened up, Page 4

Greece angers EEC partners over airliner

BY JOHN WYLES IN ATHENS

GREECE's relations with its EEC partners may suffer some lasting damage following its extraordinary refusal yesterday to allow Community foreign ministers to make a joint public condemnation of the Soviet Union for shooting down the South Korean airliner.

Several ministers were visibly angry and frustrated on leaving Athens last night at the conduct of the Greek Foreign Minister, Mr Ioannis Haralambopoulos, the current President of the EEC Council of Ministers at an EEC political co-operation meeting.

They were astonished by his attempt to use his position as chairman to evade any discussion of the airliner incident and then deeply annoyed by his refusal to issue anything but the mildest statement about the affair.

Annoyance turned, in some cases, to rage when he sought to raise a Greek proposal for a six-month moratorium on NATO's deployment of intermediate-range nuclear weapons in Western Europe. Other EEC governments had already told Athens that the Community was the wrong place for such a discussion, but it proved necessary yesterday for the nine other ministers to repeat their absolute refusal to discuss missile deployment.

"The wrong proposal in the wrong forum at the wrong time," Sir Geoffrey Howe, Britain's For-

eign Secretary, was reported as telling his colleagues.

Many officials thought the meeting the most extraordinary in the 13-year history of political co-operation. Member states look to the country occupying the EEC presidency to encourage agreements reflecting the maximum consensus. This sometimes requires the president to adapt to his own policy, and it is unusual for the president to block a major declaration desired by all other partners.

In the event, the statement issued by the ten spokes only of their "deep emotion" at the destruction of the airliner and made no mention of the Soviet Union. It urged a "thorough investigation" of the affair by the International Civil Aviation Organisation (ICAO), and supported proposals which France put to an ICAO meeting, starting in Montreal on Thursday, aimed at avoiding any possible recurrence of the tragedy.

Both Sir Geoffrey Howe and his French colleague, M Claude Cheysson, were at pains to emphasise that the statement did not go as far as they wished, and that they and their governments were already on record as condemning the Soviet Union in the strongest possible terms. "When we speak as Ten, we can only use the terms of the weakest," added M Cheysson laconically. The West German minister, Herr

Hans Dietrich Genscher, who was the first to demand a discussion and EEC declaration of the affair, pointedly left the meeting early. Earlier, he told Mr Haralambopoulos that public opinion would be confounded if Community foreign ministers have nothing to say about the Soviet action just five days after the angry confrontations between ministers from East and West in Madrid last week.

Discussion on other topics proved calmer, but Mr Haralambopoulos jolted his colleagues at the start of the meeting by urging them to adopt a softer approach to Poland, now that martial law had been lifted.

His colleagues' reactions were firmly opposed, with several ministers arguing that new laws were proving just as repressive for the Polish people and that more evidence of a genuine dialogue between government and people was needed before political and economic relations with Poland could be normalised. They confirmed, however, that talks on rescheduling Poland's official debt to Western countries would be getting under way.

On the Middle East, a proposal for a Greek fact-finding mission to the area was squashed by other ministers.

Greek belt-tightening, Page 2; Revised pilots tapes, Page 4

Olivetti close to joint venture

BY PAUL BETTS IN PARIS

CIT-ALCATEL of France and Olivetti of Italy are expected to sign soon an industrial and marketing agreement to develop jointly a new electronic typewriter.

The French company, the leading French telecommunications manufacturer controlled by the nationalised CGE group, has been negotiating joint venture possibilities with the Italian electronics company for several months. M Georges Peberrean, president of Cit-Alcatel, confirmed earlier this year that his company was talking with Olivetti on possible joint ventures.

The electronic typewriter deal is

expected to be signed in the next few days and is likely to form part of the issues which Sig Craxi, the Italian Prime Minister, will raise during his visit to Paris later this week. Sig Craxi arrives in Paris tomorrow.

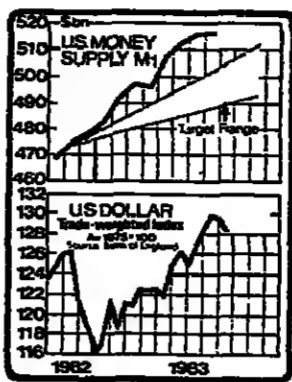
Industry sources in Paris were, however, unable to quantify the value of the venture. But they suggested that the electronic typewriters would be produced at a new facility in France.

The joint electronic typewriter venture hinges on negotiations between Olivetti and the French Government, which through nationalised French companies controls 33

per cent of the Italian electronics group. The shareholders include a 25 per cent stake owned by Bull, the computer company, and 8 per cent by Saint-Gobain, the diversified glassmaker. CGE is now expected to take over a large part of Bull's Olivetti stake and Saint-Gobain's 8 per cent shareholding.

But Olivetti is understood to want the French Government to reduce its stake in the Italian company.

Sig Carlo de Benedetti, Olivetti's chairman and a champion of private enterprise in Italy, has felt uncomfortable with the size of the French Government's stake in his group.



London scents interest rate cut

By Max Wilkinson, Economics Correspondent, in London

THE LONDON government securities market responded with a burst of optimism yesterday to the unexpectedly sharp fall in the U.S. money supply announced on Friday.

The \$2bn fall in the U.S. M1 (the narrow measure of money) prompted early buying of gilts in London as traders sensed easier interest rates on both sides of the Atlantic.

Prices rose by up to 0.2 and the 0.84 rise in the FT Government Securities Index to 80.82 was the sharpest since early April.

The Bank of England took the opportunity to announce a new Ebn short-dated tap stock, partly because its £200m tranche of 12 per cent 1995 Treasury stock was exhausted in early trading. The new tap stock - 10 per cent Treasury 1987 - will require only 20 per cent down payment on tender, indicating that the Bank is now very relaxed about its funding programme.

A further 40 per cent will be payable on October 17, with the balance on November 14. The minimum tender price has been set at 537 per £100 of stock. The gilt-edged market's view that lower interest rates may be in prospect found only a weak echo in the London money markets, where interest rates fell by amounts ranging from 1/4 to 1/2 of a percentage point, with the 3-month interbank rate closing at 9 1/4 per cent, 1/2 of a point down since Friday and the 3-month Eurodollar interest rate at 9 1/4. The foreign exchange markets reflected the same general mood, marking the dollar down by 1 penny to a closing price in London of DM 2.6605.

The pound also rose against the dollar, gaining 1 cent since Friday's London close to \$1.503. Lex, Page 20; Money Markets, Page 37

Oil stock rise supports Opec output quota

BY RICHARD JOHNS IN LONDON

THE BUILD-UP of oil stocks in the industrialised countries during the July-September period is likely to be higher than for any quarter in the past three years, according to the latest calculations of the International Energy Agency (IEA).

The IEA's preliminary estimates should give added strength to those voices in the Organisation of Petroleum Exporting Countries (Opec) calling for a retention of the present ceiling on collective production of 17.5m barrels a day (b/d) until the end of the year.

According to the preliminary estimates, supplies, including net exports from the communist world, could have exceeded demand of 42.3m b/d by as much as 2.3m b/d.

The IEA calculates that the actual build-up of stocks on land in member states of the Organisation for Economic Co-operation and Development (OECD) during the third quarter of this year may amount to 1.2m b/d.

The IEA believes there has been some increase in stocks outside the OECD and the volume of oil at sea may have been as much as 500,000 b/d "in line with Opec production."

Opec's experts will probably reach a broadly similar conclusion before Thursday's meeting in Vienna of the Opec ministerial market-

ing committee under the chairmanship of Dr Mana Said al Otaibi, the United Arab Emirates' Oil Minister. Such findings are bound to intensify the opposition of those member states opposed to any lifting of the ceiling on Opec production formally in force since April but likely to be exceeded during the third quarter by as much as 1m b/d.

The IEA's latest assessment is that Opec output for the quarter now coming to a close will be 16m b/d - not including 900,000 b/d of natural gas liquids. The latest issue of the well-informed Petroleum Intelligence Weekly says its calculations show Opec production "likely to average around 18.5m b/d."

For the fourth quarter the IEA forecasts total non-Communist demand for oil running at 45.7m b/d and the supplies from non-Opec sources running at 25.1m b/d. The exact amount of the additional requirement from Opec will depend on the rate at which inventories are run down after the surge of output seen in the past three months. The total will include about 800,000 b/d of natural gas liquids associated with Opec output but not included

Continued on Page 20

A new era for North Sea oil, Page 18

Upheaval likely over UK market changes

BY JOHN MOORE IN LONDON

THE London Stock Exchange has completed plans which will pave the way for outsiders to participate in the regulation of its affairs in one of the biggest constitutional upheavals in the history of the market.

The changes form part of a package of proposals agreed between the Stock Exchange and the British Government in return for exemption for the Stock Exchange from legal action under restrictive practice laws. They will be outlined in detail later this week in a letter to members.

Under the expected proposals a maximum of 25 per cent of the market's ruling council could be formed of members drawn from outside the Stock Exchange. The Stock Exchange will need to agree the number and method of their selection with the Bank of England.

A new appeal body is to be established, independent of Stock Exchange members of the council. If the council were to reject an applicant for membership who fulfilled the requirements of the market's rules, the appeal body could review the decision and overrule it. This body will include lay members of the council and Stock Exchange members of the council will not be eligible.

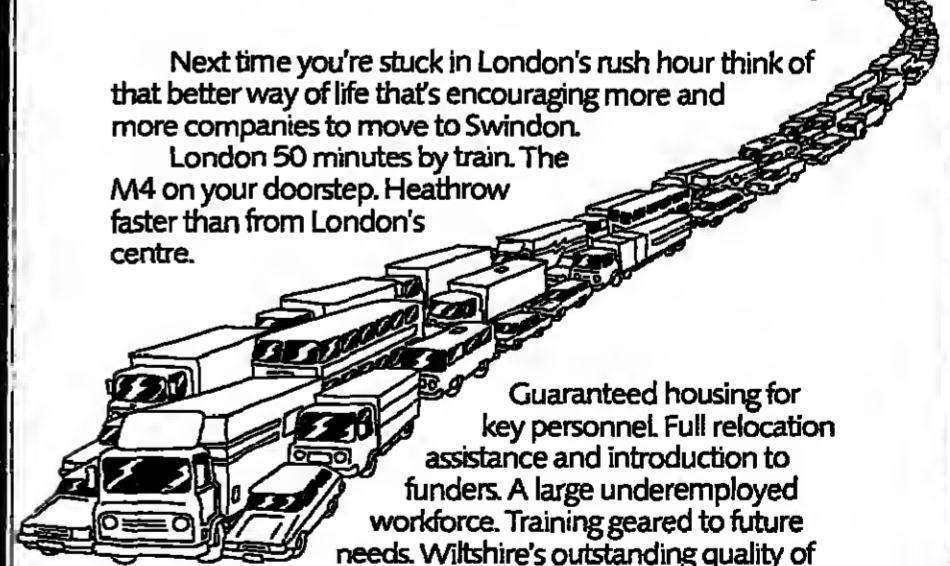
The changes will also introduce people who are not members to the Stock Exchange's existing appeals committee on disciplinary matters so that they will represent a majority on the committee.

These reforms require amendment to the Stock Exchange's principle constitutional document, the deed of settlement, and resolutions

Continued on Page 20

WHAT YOU LOSE WHEN YOU MOVE TO SWINDON.

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Netherlands Banking Survey Section IV

EUROPEAN NEWS

Italy moves to shake up chaotic pensions system

BY RUPERT CORNWELL IN ROME

THE ITALIAN Government of Sig Bettino Craxi, the Socialist Prime Minister, last night made its first move to tackle the country's economic difficulties by examining draft proposals for a partial re-opening of the chaotic existing pensions system here.

Measures to reduce the deficit of the state pensions organisations INPS are essential if the new administration is to make headway in its proclaimed goal of holding next year's public sector deficit to L80,000bn (£33.3bn) instead of the L120,000bn it would reach on the basis of unchanged policies.

The authorities already are resigned to the 1983 deficit climbing to an unprecedented L90,000bn.

Because of a largely unregulated disbursement of disability and retirement pensions, INPS is reckoning on a deficit of L12,000bn in 1983 and one of L18,000bn next year if nothing is done.

The accumulated deficit could top L50,000bn by that time, placing a colossal extra burden on the state in terms of debt interest payments alone.

The measures under study by the Government yesterday



Sig Gianni de Michelis

would concern, it is estimated, some 8m pensioners, and help save the state between L4,000bn and L5,000bn in a full year.

The two main ones would abolish disability pensions for people who already have a monthly income of L900,000 (£377), and remove "topping-up" retirement pensions from

the state if the recipient already has a notional "minimum income" of at least L600,000 (£251) a month.

The onus will be placed on existing pensioners to declare their true incomes to local pensions offices. In this way, it is hoped, the first overhaul will be made of a system whereby in some cases the same individual can receive four or five separate pensions.

Such discrepancies are believed to be particularly widespread in Southern Italy.

Once approved, the draft proposals are expected to be issued as decrees, then incorporated into the Government's 1984 Finance Bill. They have already won broad approval in principle in the discussions which Sig Gianni De Michelis, the Labour Minister, has been conducting with industry and unions in recent days.

Under the constitution, the Finance Bill has to be placed before Parliament for approval by September 30. The Government has already signalled its intention of doing its best to clear the decks so that the Bill can be approved by the end of this year.

Seveso accepts compensation for dioxin

SEVESO — the north Italian town which suffered contamination by dioxin seven years ago, has decided to accept a SwFr 15m (£4.6m) compensation offer.

City officials said mayor Giuseppe Cassina would meet Givaudan Chemical Company representatives in Lausanne soon to agree the deal.

The commune of Seveso, near Milan, and about 200 people have been demanding compensation from Givaudan in civil court proceedings.

Givaudan, a subsidiary of the giant Hoffman-Laroche group, has already paid out L103bn (about £50m) in compensation to the Lombardy region and the Italian state, plus smaller amounts to other local authorities and 25,000 people affected by one of Italy's worst pollution disasters.

Reuter

Workers occupy Hamburg shipyard in cuts protest

BY JONATHAN CARR IN BONN

THE UNREST in the West German shipbuilding industry reached a new climax yesterday when workers protesting against planned cutbacks occupied one of the country's most famous shipyards.

The action at Howaldtswerke-Deutsche Werft (HDW) in Hamburg came after a weekend meeting at which the Bonn Government again ruled out export aid from public funds for the shipbuilders.

Several thousand HDW workers marched through the city waving banners and demanding that the company drop its scheme to close its new shipbuilding activities in Hamburg. The action would mean the loss of more than 2,000 of HDW's 4,000 Hamburg jobs.

Later, the workers occupied

the yard "for several days" and resolved to send a delegation to Bonn to press their case with the Government.

Only about 10 days ago, thousands of shipbuilding workers in nearby Bremen demonstrated against a planned merger between three local companies, meaning the loss of at least 1,500 jobs.

The schemes for mergers and closure follow a new slump in orders — by around 50 per cent in real terms in the half year — in an industry long facing severe foreign competition.

Bonn has provided some aid already but further aid will be dependent on agreement by the companies themselves, and the coastal states, on practical rationalisation plans.

Sweden's jobless rate hits new peak

By Kevin Done, Nordic Correspondent, in Stockholm

UNEMPLOYMENT IN Sweden rose to a new peak in August with 4 per cent of the workforce without a job. Pressure is growing from the trade unions for extra government measures to create more employment.

Last month 175,000 were out of work, the highest-ever monthly level. In addition to "official unemployment" a further 117,300 people were taking part in various job creation programmes outside the main labour market.

Calls from the unions for extra state spending to cut unemployment are embarrassing the government at a time when it is preparing a tight budget for next year, with the aim of slowing growth in the massive central government budget deficit.

Unemployment remains a major problem for the Social Democrat administration, despite the fact that it is enjoying considerable success in other parts of the economy, with Swedish industry succeeding in winning back lost shares in international trade.

Exports grew 11 per cent in volume in the first half of 1983 compared with a volume increase of only 3 per cent in imports. Sweden showed a trade surplus of SKr 9.9bn (£336m) in the first six months compared with a surplus of only SKr 3.1bn in the corresponding period last year.

Hopes rise over rig

Salvage officials said yesterday they had high hopes of righting the Norwegian accommodation rig Alexander Kieland, which capsized in a North Sea storm in March, 1980. Reuter reports. By noon yesterday, the 10,000-tonne rig had been righted 145 degrees.

Belgian train strike

Most of Belgium was without train services yesterday as railway workers struck to protest at planned cuts in benefits and wages. AP reports from Brussels. Officials said the strike, which spread as unions endorsed stoppages in Wallonia, may last for several more days.

Greece drops generous pay policy

BY DAVID TONGE IN ATHENS

THE GREEK Government last night formally buried the expansionary wage policy which had characterised its initial period in office.

Two days after cutting its real GNY growth forecast for 1983 from 2 to around zero per cent, it announced a partial indexation of wages which should result in a 4 to 5 per cent fall in real earnings this year.

The announcement by the Ministry of National Economy said that wages would be increased by 10.2 per cent as

from September 1. Although some employees have built-in seniority increases, this is the first rise allowed to most workers this year when inflation has been running at around 20 per cent.

The move represents a firm attempt by the Socialist Government of Dr Andreas Papandreu to offset the 6 per cent increase in real earnings it allowed in 1982, its first year in office.

The move also comes after Dr Papandreu had opened the International Fair in

Salonika with a sombre speech saying: "We do not claim we have solved the problems of the Greek economy. That would have been practically impossible."

He predicted that Greece's current account deficit for 1983 would be similar to the \$1.9bn (£422m) recorded in 1982.

His speech has been widely interpreted as representing the offering of a major olive branch to Greek industrialists who have been disturbed by inconsistencies in government policy

and by such moves as the recent law appointing workers' supervisory councils in the mining sector.

At the same time as Dr Papandreu was stressing the place for private initiatives, party officials were leaking stories about possible impending prosecutions of some of the major industrialists in the country.

The Government has now clearly set the battle against inflation as one of its main targets.

Dutch closer to lower pay for shorter week

BY WALTER ELLIS IN AMSTERDAM

FURTHER evidence that the Netherlands is moving reluctantly towards a shorter working week and proportionately lower pay came yesterday with a statement from the FNV, largest of the Dutch trade union federations, that employees must be prepared to accept the costs of reducing working time as the price for creating new jobs.

FNV has been slowly moving towards this policy for some months. Yesterday, however, at a conference in Amersfoort between union leaders and members of Parliament, it was laid down as official policy. "A clear agreement has got to be laid down," the union said.

Such an agreement would mean in practice the acceptance by workers of lower wages and higher social security premiums. In the Netherlands, employers at present pay

between 25 and 33 per cent of social security premiums, with employees paying the rest.

A short working week would mean that wages would drop, and with them the wage-related contributions. In order to maintain the same level of benefits — budget adjustments aside — workers are being asked by the Government to accept more of the burden themselves.

The FNV, in agreeing to this, is moving far beyond its normal negotiating parameters and is clearly making an enormous effort to co-operate with the state. The reason is unemployment.

More than 800,000 people, representing an estimated 17.5 per cent of the workforce between 16 and 65, are now unemployed in Holland. This is the highest percentage in the European Community. Belgium, with 14.8 per cent, is next, and

Britain stands at 12.3 per cent, and the deterioration, though slowing, is far from ended.

The Organisation for Economic Co-operation and Development (OECD) expects the total next year to exceed 1m.

The Government, in a bid to do something without abandoning its principles of putting industrial recovery and steps to curb inflation first, decided early this year that a graduated reduction in the average working week from 40 hours to 36 would create a partial jobs vacuum into which new workers could rush.

The unions were extremely sceptical at first, but have since come round to this view. Their main worry remains that the new jobs will prove an illusion, while the pay cuts will be all too real.

A report from the Dutch

Institute for medium-sized and small businesses reported in July that up to 120,000 new jobs could be created by a 5 per cent cut in the length of the working week.

Agreements to this specific end have been signed between employers and workers in a number of sectors, including banks and printing. But fears still exist that companies generally will not start filling the jobs gap until the recession lifts, when they would have taken on more staff anyway.

The industry section of the FNV is certainly wary of being asked to pay before the goods are clearly on the table. It spoke independently yesterday of the danger of workers being asked to pay a double penalty — less wages and higher social premiums. "Too much of a good thing," was its verdict.

London, Paris reject Hague call on missiles

BY OUR AMSTERDAM CORRESPONDENT

A CALL by the Dutch Parliament for British and French nuclear weapons to be included in the East-West Strategic Arms Reduction Talks (Start), has drawn angry retorts from London and Paris.

The UK and French embassies in The Hague both issued weekend statements in which the suggestion was rejected as "unacceptable."

A resolution by the Netherlands' Second Chamber last week referred to the conviction of MPs that there was "a major difference of opinion" in the Geneva talks about the question of British and French nuclear missiles.

It called on the Dutch Government "to urge the U.S. and the other allies at an early date that the presence of the British and French nuclear forces be taken into account in some way or other, either in the negotiations of medium-range missiles or in those on strategic weapons."

The British reply said that it had been agreed within Nato ever since 1978 that the nuclear weapons of third countries should not be included or taken into account in negotiations between Washington and Moscow.

"It is clear," the statement added, "that the Soviet Union is trying to use the issue of British and French systems as

a means of preserving a total monopoly of longer-range intermediate missiles in Europe and excluding U.S. weapons of this type."

"This remains unacceptable to the alliance as quite incompatible with security and East-West stability."

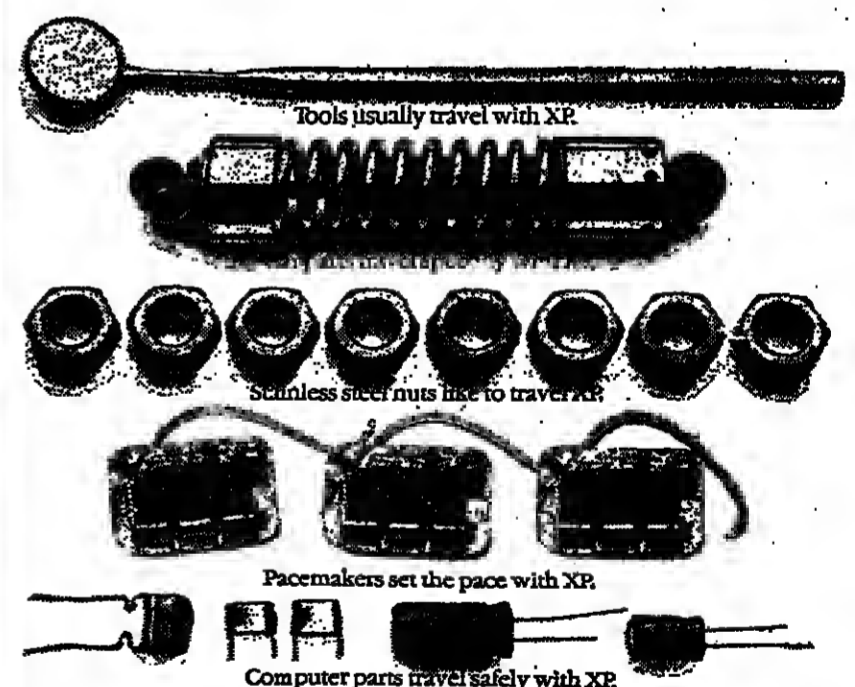
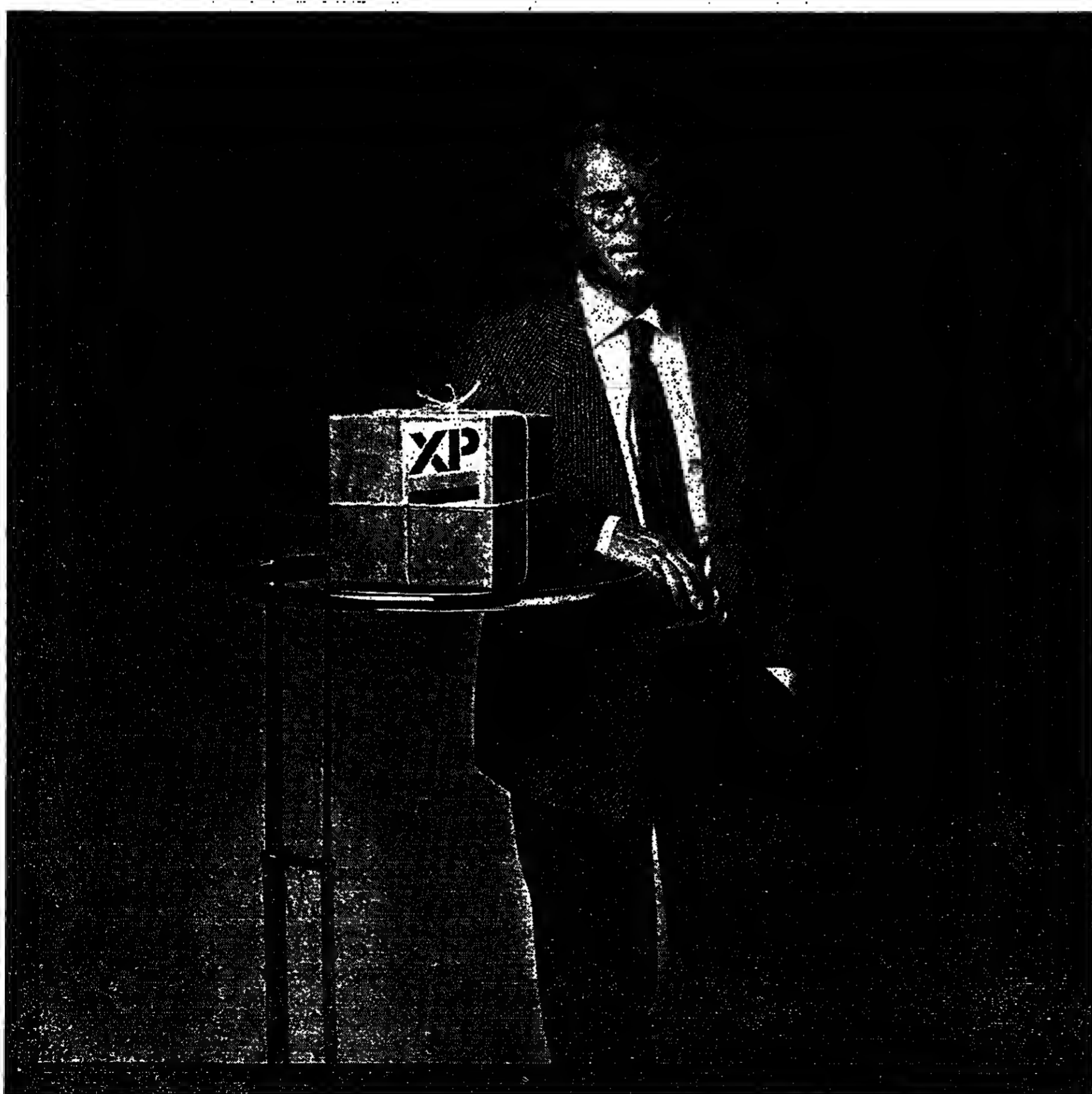
For its part, France said that "inclusion of the French nuclear forces in the negotiations on medium-range missiles is unacceptable."

It added: "Inclusion of the French nuclear forces at Geneva would, moreover, place the French nuclear forces on a par with only the intermediate-range Soviet nuclear forces, which is absurd, since French

forces serve to confront the entirety of threats to France, which are as diverse as they are numerous."

Mr Hans Van Den Broek, the Dutch Foreign Minister, had said prior to the issuing of the two statements that he would raise Parliament's request with his Nato colleagues to see if it was possible for the UK and French nuclear arsenals to be included in the Start talks.

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EUROPEAN NEWS

Pressure grows for land reform in south Spain

BY TOM BURNS IN MADRID

SIMULTANEOUS mobilisations by Communist and anarchist orientated peasant unions in Southern Spain are placing growing pressure on the Socialist-controlled regional government, the Junta de Andalucía, which is this week putting finishing touches to a draft agrarian reform law.

The Communist-led agricultural workers' commissions yesterday completed the eighth day of a projected 900-mile, 40-day march through 62 small towns and villages in Andalucía to press for reforms.

Organisers of the protest, which has some 70 permanent marchers, claim well-attended meetings and broad-based support for Communist plans to break up large landholdings.

A rival and smaller union, the agrarian workers' syndicate, (SOC) yesterday issued a radical manifesto at the end of a three-day congress in the village of Marín, in the province of Seville, attended by 200 delegates.

The SOC, which has spear-

headed land occupations and hunger strikes in the Marín area over the past years, has its roots in the once-powerful anarchist tradition of Andalucía. The manifesto called for the common ownership of land which it terms "a public utility".

The mobilisations are more extensive than in previous years and are timed to coincide with the Andalucía Junta's proposed legislation on the emotive agrarian reform issue.

Communist and SOC leaders accused the Socialist regional government of drafting a lukewarm bill that will seek principally to transfer the management of state properties from Madrid to the Junta's agricultural department.

Left-wing critics of the regional government used statistics to show that 50 per cent of productive land in Andalucía belongs to 2 per cent of the property holders in the agricultural census. Seasonal unemployment in Southern Spain is estimated to affect some 180,000 landless labourers.

Soares acts to fend off threat of 'hot autumn'

BY DIANA SMITH IN LISBON

THE PORTUGUESE Government is taking steps to assert its authority in the face of Communist threats of a "hot autumn."

Plans of Sr Mario Soares' Socialist-Social Democrat coalition to renege public spending will drastically increase unemployment, ending long over-manning in the public sector where tens of thousands of unnecessary jobs have been artificially subsidised.

Omens of mass redundancies have led Sr Alvaro Cunhal, the Communist leader, to threaten the Government with widespread destabilisation.

The administration has responded with warnings of imprisonment for anyone who tries to prevent proper functioning of public transport or public services, or blocks roads, or

attempts to coerce officials and endanger legitimate interests.

Attempts to disrupt public transport—like the blocking of railway lines by glass workers on strike in the Marinha Grande area to the north—will be punished by 10 years in jail.

Locking management in their offices—which striking workers at the Lisnave ship repair yards repeatedly did for days at a time during the last Government—will also incur 10 years' jail.

Violent attempts to stop officials or employees from carrying out their tasks will bring three years in jail.

The Soares Government's preventive move against possible trouble follows a long stretch when workers pursuing their claims could keep up disruption for days before action was taken.

Turkey's President promises democracy

By Our Ankara correspondent

TURKEY ended its third year under military rule yesterday with a fresh pledge from President Kenan Evren that parliamentary democracy will be restored after the general elections in November.

The President's televised address was almost the only public recognition given to the anniversary which, contrary to some predictions, has not been made into a public holiday.

In his message to the nation, the President stressed the contrast between the calm presently prevailing in Turkey and conditions which caused the army to step in three years ago.

A substantial part of his speech went to answering claims by unnamed critics who said that the coup was not necessary or that the army had deliberately allowed conditions in Turkey to worsen so that it would have an excuse for taking power.

This was a clear reference to the banished conservative former Prime Minister, Mr Süleyman Demirel, who has often made such accusations in private against the military.

President Evren listed 10 questions for these people to answer which included: "You left Parliament deadlocked for six months and didn't produce one single law. What would you have done with another six months?"

He also claimed that international criticism of Turkey's military was incited by various "circles of traitors" working through the world's press for ideological ends.

"No country in the world has had such a gentle military administration as Turkey," he said. "A lot of people visiting Turkey from other countries do not even realise that it has a military administration."

There was relatively little reaction elsewhere to the anniversary. Turks will probably take many years to adjust to the profound changes it has made to their legal system and institutions, mostly in the direction of ensuring greater uniformity and central control.

The military has passed 361 laws since it took power, and a new constitution was brought in last year. The coming general elections will be the first to be held for a smaller unicameral parliament under new political parties and electoral legislation.

The pre-coup political parties have all been banned and the majority of former politicians are banned from resuming activity for periods of between five and 10 years.

The flavour of some of the new legislation introduced in the final weeks before the run-up to the general elections may be symbolised by a law introduced last week which gives all Turks numbers and allows information about them to be kept in a national databank.

However, the military has also allowed two potential sources of opposition to come into being in the last few days. The Correct Way Party which is largely made up of followers of Mr Demirel, and the Social Democracy Party have finally had their quotas of founder-members approved by the military.

They will not be allowed to contest the November elections.

Italy steel-mill producer sees bright future

By James Buxton in Buttrio

DANIELI, Italy's leading steel mini-mill maker, has underlined its assertion that there is still considerable growth in this sector of the industry by increasing profits by 44 per cent.

The parent company's profits rose to L10.1bn (\$6.33m) from \$7bn the previous financial year when it rose 16 per cent to L15.57bn and cash flow was up 50 per cent to L15bn.

The company, based at Buttrio, near Udine, in north-east Italy, designs and builds steel mini-mills and direct reduction plants in Western and Eastern Europe, the Soviet Union, the U.S. and in developing countries.

It believes it could benefit from the renewal of the European and U.S. steel industry, which it thinks will concentrate on small, flexible and energy-efficient plants to replace the vast integrated complexes of the past.

Danieli says the U.S. industry, which has a particularly high proportion of obsolete steelmaking plant, is now realising the need to replace it and could present a market worth L20bn in mini-mill construction alone.

Europe, the company says, has been slower reaching that conclusion, though in Italy, where the renewal of public sector steel plant had virtually stopped, Danieli claims to be "comforted" by obtaining its first three orders from the state sector in the past year.

Danieli's order book at the end of June stood at L160bn, substantially less than the previous year when it was L280bn because of the partial completion of work on a big contract for a mill in the Soviet Union.

All summer the battle of the French budget raged. David Housego predicts the outcome

Mauroy emerges a cut above Delors

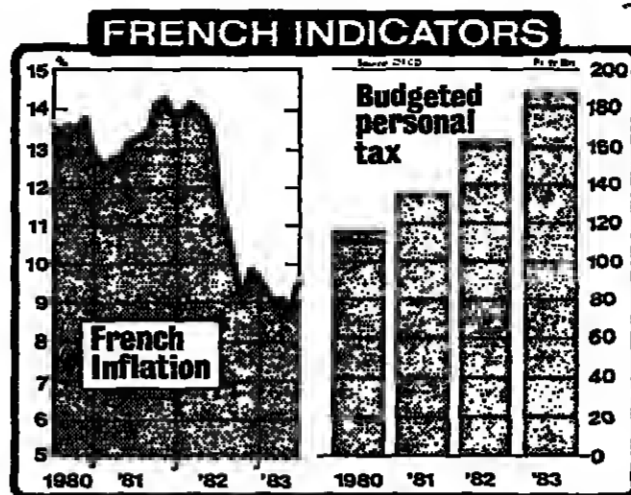
IT WOULD be hard to imagine a French post-war budget constructed with more pain than the one which M Jacques Delors, the Finance Minister, will put before the Cabinet tomorrow.

The French economy is moving into a period of recession with the prospect of little or no growth over the next two years. Nonetheless, some expenditure will go up. The Socialists have managed to halve the rate of annual increase in social security spending in recent years for instance, but it will still rise by some 3 per cent in real terms. Even with no increase in benefits, that means an additional cost of FF20bn (£1.5bn) a year.

The sharp rise in Government debt which flowed from the Socialists' initial expansion of the economy has now produced a sharp increase in the cost of debt service. With interest rates in France still over 13 per cent on Government paper, servicing costs on state debt have last year. If the local authorities' debt is included, then interest repayments have climbed to about FF100bn this year from FF53bn in 1980.

Tax receipts, by contrast, have fallen with the recession. The loss of revenue next year as a result will be about FF10-15bn. Under a quirk of the French system, tax receipts for 1984 are based on returns for 1983, when the dip in economic activity is likely to be sharpest.

The Government's back is firmly against the wall. Its most difficult problem is to work out how to stick to President François Mitterrand's objective of limiting the budget deficit to 3 per cent of gross national product, the equivalent of FF125bn. President Mitterrand has now pinned his name so firmly to the 3 per cent figure



that any overshoot would re-ignite pressure on the franc. M Delors' central gamble in the budget calculations is whether or not he can limit the overall increase in expenditure to 6.5 per cent. This depends on bringing down the rate of inflation next year to 5 per cent from its current level of around 9 per cent.

To achieve this, he must ensure that the increase in civil servants' and teachers' salaries next year (some 40 per cent of the budget) is held to 5 per cent and hope that the Government will pick up other savings (lower interest rates, for instance) from the pursuit of disinflationary policies.

M Delors still has to find FF40bn to keep the deficit within the 3 per cent ceiling and debate has raged all summer long within the Socialist party and the Government on where the funds will come from.

M Delors initially argued for a straight 2 per cent tax increase assessed on all incomes, because he believes that the

marginal rates in France on managers and the higher paid are now unduly discouraging. He was howled down by the radicals in the Socialist Party on the grounds that the tax would hit the poor as much as the rich.

The radicals sought to put the burden on the rich through higher income tax and additional levies on wealth, and found considerable support from M Pierre Mauroy, the Prime Minister. M Delors then returned to the attack, proposing fresh cuts in public expenditure. His fear is that if European economies including France remain in a rut next year he will have no leeway to meet increased expenditure demands.

The compromise agreed works out in M Mauroy's favour. Of the FF40bn needed, some FF15bn is to come mainly from a new surtax and an increase in death duties. FF10bn from carrying forward the "exceptional" 1 per cent tax on incomes imposed in March as part of the first

devaluation measures: FF10bn from an increase in pension contributions; and some FF5bn from further cuts in spending.

The Government has saved some of its priority programmes—research, the newly nationalised industries, and training—all of which will benefit from much higher boosts in spending than the 6.5 per cent ceiling. But investment in the modernisation of industry, a major Socialist objective, will this year be 15 per cent below the average for the years 1976-80.

Investment by the main state corporations like the railways, and the electricity industry will be down 5 per cent in real terms. Tax concessions for industry have also gone by the board.

The fresh increases in taxation next year will push France close to the limit of public tolerance. The French will next year be paying in tax and social security contributions as a proportion of GNP some 45 per cent, considerably higher than the 40 per cent in Britain or the 37 per cent in West Germany.

Those in middle to high incomes have seen their tax bill rise by between 30 and 50 per cent over the last two years. M René Monory, the former Minister of the Economy, warned on Sunday night of the risk of a "tax revolt." Even M Gilbert Trigano, head of Club Med, and the man designated by President Mitterrand to organise the now aborted World Exhibition in Paris in 1989 has been complaining.

He said: "In two years my income has increased 30 per cent but I pay 50 per cent more in taxes." But he added that he was not discouraged.

The budget will further tighten the deflationary squeeze on the economy, in line with the government's goal of depressing

demand so as to reduce imports. It plans to bring the trade deficit back into balance by the end of next year, but faces the risk that the economy will be pushed deeper into recession than it wants.

M Delors believes that he will have more room for manoeuvre when preparing the budgets of 1985-86, when gains could come on two fronts. The first would be from an increase in the rate of growth which would push up government receipts. The second would be from a fall in the inflation rate, which should cut interest rates, the debt service burden and the cost to the Government of subsidising domestic credit rates. [Because French interest rates are more than double those of West Germany the Government spends between FF30bn and FF40bn a year in subsidising a host of domestic credit rates of benefit to exporters, industry and housing among others.] A sharp decline in rates would provide painless and substantial cuts in expenditure.

The 3 per cent goal for the budget deficit depends on the industrialised economies achieving growth rates of about 3 per cent. But M Delors would not follow the British and West German examples of continuing to prune the French deficit if the recession was more prolonged and the result of further cuts would be to exacerbate it still further.

If for no other reason, the Government has an election timetable in mind. In 1986 the Socialists will be defending their majority in the National Assembly. Well before then, it will want a revival of economic activity.

If the inflation rate has improved by the end of next year and the trade figures are back in balance, the government will have more opportunity to retiate. But at this stage it can only keep its fingers crossed.

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OVERSEAS NEWS



S. African industry charmed by the best of both worlds

By J. D. F. Jones in Johannesburg

PIETERMARITZBURG has an old-fashioned image. It is full of Natal's historic buildings, the battlefields of the Boer War are within easy reach for the tourist, and the Union Jack flies over the Victoria Club. The city was not amused to find itself the setting for Tom Sharpe's scabrous early novels.

But Maritzburg, for short, has recently leapt into the 20th century. Responding to South Africa's major nationwide industrial development programme, it has decided to demonstrate that investors need not always flock to the district which enjoys the richest incentives from Pretoria.

Incentives are graded in line with a region's poverty, but also to reflect the need to create jobs for the local (black) population, which would otherwise be forced into the (white) urban areas.

Thus, poverty-ridden rural "homelands" such as Ciskei, have been granted dramatic incentives for new industry—for example, a R10 (£5) per month cash rebate on wages. Areas of less urgency, like Maritzburg, were classed as "deconcentration points," with the intention of drawing away new industry from nearby metropolitan areas (in this case Durban), and allowed only a R25 (£12) per month rebate.

The idea, no doubt, was to make industry flourish. It couldn't refuse to move out to remote areas. But the Development Regions are in many cases too remote, too rural, and despite some modest local success—for example in Bophuthatswana and Ciskei—the programme is an overall failure nationwide.

Maritzburg, on the other hand, sees itself as offering the best of both worlds, not too remote yet not overcrowded. The result of this thinking has been an impressive influx of new businesses, national and international, in the last couple of years.

Before that, the city's industry had gone through eight years of semi-stagnation after Maritzburg lost what were then called border area "privileges" in 1971. But a get-up-and-go team of councillors and officials, led by a formidable Mayor named Pamela Reid, then set out to put matters right.

The result is that in the past two years, 30 industrial developments have been concluded, involving the sale of 90 hectares of industrial land inside the city boundaries (16 hectares of this to overseas companies), and the creation of 4,000 jobs.

The reasons for this success are not hard to analyse:

- Just outside the city limits is a segment of the self-governing but non-independent "homeland" of KwaZulu, where the Edenburg Valley is reckoned to contain a labour pool of 250,000 blacks who can "commute" by bus into Maritzburg's industrial areas every morning. Equally importantly, Maritzburg can claim to have a full range of skills available in its labour force: white, Indian, black, managerial, semi-skilled and unskilled. It is therefore tending to attract the semi-sophisticated new industries, whereas the more remote development areas, for all their extra incentives, offer only unskilled labour.

- Proximity to the coast and to Durban's port (45 miles away) is an obvious attraction, as is the fact that Maritzburg is a beautiful university town, attractive to managers and their families.

- There are no problems with infrastructure. The Johannesburg metropolitan area is accessible by Maritzburg by motorway and railway. The authorities have been active in preparing industrial sites. So far the momentum has been strong. Natal Nylon Industries' works with Belgian finance, is nearing completion and will bring 500 jobs, joining other internationally funded operations such as Scottisb Cables and Van Leer SA; several more are in the planners' pipeline.

But although the pace may start to slacken as the recession bites more deeply in South Africa, the activity on the industrial estates suggests that Maritzburg will not be going back to sleep again.

Zimbabwe forecasts lower deficit

BY QUENTIN PEEL, AFRICA EDITOR

A COMBINATION of drought and lack of demand for mineral exports is likely to result in a current account deficit in Zimbabwe of Z\$300m-400m (£190m-£250m) this year, according to Dr Bernard Chidzero, the Minister of Finance.

The shortfall would represent, however, an improvement on the Z\$550m (£357m) current account deficit recorded last year, and Dr Chidzero expected a further recovery in 1984 as exports picked up.

However, a major factor in the improved current account position this year is likely to be substantial cuts in imports, which have forced many sectors of manufacturing industry to cut back production capacity.

Dr Chidzero, who was speaking in Dublin before his departure for the U.S., Mr Robert Mugabe, the Prime Minister, said the effects of

ANY ATTEMPT by Britain to force Zimbabwe to release detainees by cutting aid would be a "colossal mistake," Dr Bernard Chidzero, the Zimbabwe Minister of Finance, said. Indirect statements to that effect had been made in relation to the continued detention of four former Zimbabwe air force officers acquitted on sabotage charges, he said.

"We greatly appreciate the aid which the British have given, but if they really think that by cutting down on aid they will coerce us, then they are making a very serious mistake."

the present foreign exchange crisis had been mitigated by the current International Monetary Fund programme.

Zimbabwe has so far drawn some US\$180m out of total credits of SDR 356.1m (US\$339.2m).

He said the drought had not only cut production of traditional export crops such as maize and cotton, but had also forced the country to import more wheat. Mineral exports had fallen in both volume and value, and Zimbabwe was having to finance substantial stockpiles until world markets recovered.

However, he said there were already "fairly good" orders for minerals and tobacco in 1984, and the foreign exchange position would improve.

Dr Chidzero said his Government was following a flexible exchange rate policy, with the Zimbabwe dollar now tied to a trade-weighted basket of currencies which has resulted in a total devaluation against the dollar of some 30 per cent over the past year.

Begin told to rest

By David Lennon in Tel Aviv

MR MENAHEM BEGIN, who is expected formally to tender his resignation as Israeli Premier to President Chaim Herzog any day now, has been ordered to rest at home by his doctors.

The outgoing Prime Minister did not attend Sunday's Cabinet meeting, and yesterday stayed away from his office. His aides deny that his health has taken a turn for the worse, and insist that he is merely resting.

In recent months Mr Begin has appeared unwell and withdrawn, taking little interest in the events around him. However, he has not been hospitalised despite a record of heart trouble.

His recent poor performance has generally been attributed to depression brought on by the Israeli casualties in Lebanon and the death of his wife last November.

Israeli arms sales fall

By Our Tel Aviv Correspondent

SALES OF Israeli arms and other military equipment overseas have been poor this year, and this contributed heavily to the 8.4 per cent overall fall in industrial exports in the first eight months of the year.

Israel does not tabulate arms sales as such, but these are usually reflected under the category "metal products, machinery and electronics." Exports of such products fell in August to \$86m (£44m) compared to \$120m in August last year.

The Ministry of Industry and Trade which reveals these statistics expressed additional worry over the fact that August was a poor export month, coming as it did just after the invasion of Lebanon when production had been curtailed by the call up of many workers.

Meanwhile, the legal opposition groups' call for national mobilisation yesterday, fizzled out as public transport ran normally while employees and students attended classes and the justice system continued to operate.

At about the same time that the commission suspended its hearings, the Ministry of National Defence signified its intention to co-operate in the commission's work. Mr Juan Ponce-Enrique, the Defence Minister, said that defence and military officials will be available to testify at the commission's hearings.

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Shifting forces in Congress 'could kill IMF Bill'

BY OUR WASHINGTON STAFF

THE U.S. Congress reconvened yesterday after a summer recess in which events have sharply altered the political background for major legislative battles due in the next few weeks on the \$8.4bn (£5.6bn) U.S. contribution to the International Monetary Fund, on the deployment of U.S. marines in Lebanon and on President Ronald Reagan's defence and nuclear disarmament programmes.

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Airlines
Brazil for
exchange

By Andrew White
Rio de Janeiro



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WORLD TRADE NEWS

High technology investment to be stepped up in Taiwan

BY BOB KING IN TAIPEI

THREE LARGE U.S. companies—Texas Instruments, Key Tronic, and American Telephone & Telegraph—plan multi-million-dollar investments in high-technology manufacturing in Taiwan.

Texas Instruments (Taiwan) has received Government approval of a \$12.5m increase in capitalisation for its existing integrated circuit plant in Taipei. Although the company was unavailable for comment on the reasons for the new investment, the Texas group is likely seeking to expand its already considerable integrated circuit capacity.

In 1981, the company's exports topped \$90m, making it Taiwan's fourth-largest electronics exporter that year.

Key Tronic, a computer keyboard maker, will formally submit its application to the Government on September 15 for the establishment of a \$16.5m plant to make state-of-the-art keyboards here.

According to Mr Hydon Chang, Key Tronic's Asia marketing director, approval of the application is virtually assured, because the project results from a Government invitation.

Key Tronic will start making 15,000-20,000 capacitive and membrane keyboards a month by the end of the year to meet commitments to American buyers, which include Wang and Datapoint. The company also plans to market its keyboards, compatible with a variety of computer systems from the Apple to the IBM, throughout Asia.

AT & T will move one step closer to a joint venture with Taiwan Government agencies when it signs a memorandum of understanding with the Government. The signing will lead to detailed talks on the establishment of a facility to produce digital telecommunications switches and specialised very-large-scale integrated circuits (VLSI).

Initial investment in the AT & T venture is thought to total tens of millions of dollars, and could mean centring production and research for the Asian region in Taiwan.

Reuter adds: Taiwan's Economics Ministry has selected Hino Corporation, an affiliate of Toyota Motors of Japan, as the foreign partner in a projected joint venture heavy duty truck plant, the ministry said.

Foreign car producers make gain in France

FOREIGN manufacturers had a 32.7 per cent share of the French car market in the first eight months of this year against 32.6 per cent in the first seven months, the French Car Manufacturers Association said, in Paris.

Foreign car registrations in August were 42,500, giving a cumulative total for the eight months of 487,900, up from 487,700 in the same 1982 period.

New French registrations in August were 125,500, giving a cumulative 1983 total of 1.34m, a 0.4 per cent gain on 1982.

State-owned Renault, France's leading manufacturer, saw its share of registrations drop to 34.5 per cent in the year to August from 35.2 per cent in the same 1982 period.

But the privately-owned Peugeot group showed a small recovery during the eight months, with the Peugeot/Talbot market share at 19.5 per cent against 18.3 per cent, and Citroën at 13.2 per cent against 12.9 per cent.

Reuter

Anthony Moreton examines moves to renegotiate trading agreements

Textile nations fear North American curbs

FEARS are growing among low-cost textile producing countries over what they see as increasing protectionism in the U.S. and Canada.

In the last three months the U.S. has sought to renegotiate 80 bilateral trading agreements, none of which is more than 20 months old.

Hong Kong has been the most severely hit by these moves since the U.S. has called for 20 bilateral deals to be revised. These were negotiated as part of the Multifibre Arrangement (MFA), the agreement signed in Geneva at the end of 1981 which governs most of the world's trade in clothing and textiles.

The U.S. is by far the largest overseas market for Hong Kong. Last year it took more than \$30m-worth of goods, 57.5 per

cent of the colony's exports. Textiles and clothing were the largest single element in this total. This year Hong Kong exports to the U.S. have risen by 10.2 per cent in the first quarter compared with the same period of 1982, and 14 per cent in the second quarter.

Other countries which have been hit by American demands for renegotiation include Pakistan and South Korea.

Canada has been accused of breaking the spirit, if not the letter, of the international trading rules under the General Agreement on Tariffs and Trade (GATT) by introducing non-tariff obstacles to trade in the past two months. Although these barriers also cover trade with Western Europe, the principal aim is to restrict clothes entering the country from the Far East, especially from Hong

Kong, China, South Korea and Taiwan.

Canada has decreed that imports of clothes must now pass through the hands of just 26 customs officials, all of whom have undergone a training course intended to brief them in tougher inspection procedures.

The effect this will have on imports is made worse by the fact that nine-tenths of Canadian imports enter the country through Montreal and Toronto to which just 11 of the officers have been allocated.

The move is reminiscent of France's action earlier this year when it decreed that all imports of Japanese video recorders had to go through an out-of-the-way customs post in Poitiers.

The effect on clothing imports is much more severe than it

was on videos because clothes are much more time-sensitive than most other goods.

The shops are now gearing up for the autumn selling season and if clothes are held in customs warehouses for three or more weeks, as has been claimed will happen, they could reach the racks after the buying peak has passed.

Both the American and Canadian actions have been taken as a consequence of strong currencies. U.S. exports (Canada is not a major clothes manufacturer) have been declining as imports have increased rapidly. Two years ago, the reverse situation occurred and cheap American towels, sheets, pillowcases, carpets and underwear flooded into Europe.

To curb the imports the U.S. has called for consultations with suppliers, a legitimate procedure under the MFA but not one widely used.

A Pakistani trade official said recently: "We always thought the EEC's basket-extractor mechanism (a procedure by which a sudden rise in supply can be temporarily restrained was the worst thing about the MFA but these consultation calls are turning out to be much more severe."

Third World countries are concerned that pressure for more consultation calls will increase in the U.S. over the next 12-months in the run-up to the 1984 presidential election in November. "Textile pressure groups in the U.S. are very strong, indeed," said the Pakistani official, "and with an election coming it will be very difficult for politicians to stand up to them."

Hill Samuel in £8m credit

HILL SAMUEL has arranged an £8m general purpose line of credit to its South African subsidiary, to provide medium-term non-recourse export finance to cover contracts for the export of British capital goods and services to South African buyers. The credit line is backed by the Export Credits Guarantee Department.

The minimum contract value is £50,000 and the contracts

must be signed by January 31 to be eligible for inclusion under this loan facility.

The facility succeeds a similar arrangement for £12m now fully allocated to contracts. The line of credit arrangement is popular with a wide range of exporters and buyers because of its flexibility and the short period of time which it takes to approve contracts for financing.

Oil imports may be raised

JAPANESE oil importers expect to raise imports of Mexican crude oil to 160,000 barrels per day, the contracted volume under the present long-term deal, from the current 110,000 b/d from October 1, Reuter reports from Tokyo.

The increase was requested by Pemex, the Mexican state-run oil company.

Irish exports show rise of 7 per cent

BY BRENDAN KEENAN IN DUBLIN

IRISH EXPORTS PERCENTAGE MARKET SHARE			
	1982	1981	% change
UK	38.5	40.2	+14.8
EEC (excl UK)	31.8	30.7	+22.3
N. America	2.4	2.2	+21.5
SFTA	4.2	3.9	+28.7
Others	14.8	17.0	+17.9
Total	100.0	100.0	+19.1

EXPORTS from the Republic of Ireland rose seven per cent by volume last year, more than double 1981 growth. The Irish Export Board (CIT) expects an even better performance this year.

The UK market was noticeably buoyant with a rise in value terms of almost 15 per cent. Sales to the UK topped Irish £32m (£1577m) for the first time.

Even so the share of Irish exports going to the UK continued the downward trend of recent years and fell to 38 per cent. This reflected particularly large increases in the value of exports to the rest of the EEC and North America.

Irish export performance was helped by the recovery in the agricultural sector with exports rose slightly in volume following the 8 per cent fall in 1981.

The CIT warns in its annual report that the bulk of the export success comes from new industry attracted to Ireland by the incentive schemes of the Industrial Development Authority (IDA). This inward investment has slowed considerably in the last two years, which must cause some concern about the future export trends.

Some sectors of traditional Irish industry, such as clothing and furniture, showed substantial gains, others such as leather footwear and glassware recorded only slight changes.

The CIT has been given wider powers to encourage the export of services such as agricultural consultancy, medical services and computer software. It is also expected that the forthcoming white paper on industrial policy will recommend a greater emphasis on export promotion.

The board expects a slightly better performance this year, with a 9 per cent growth in volume compared with last year's 7 per cent.

India in agreement on rescheduling with Iraq

BY R. C. MURPHY IN BOMBAY

THE INDIAN Government has reached agreement in principle with Iraq on rescheduling the payments for the approximately Rs 1.2bn (£75m) in construction contracts under execution by Indian companies in Iraq.

An official team led by a representative of the Export-Import Bank of India will go to Baghdad in a fortnight to sign an agreement to extend credit facilities for the portion of the contract value due for payment. This component, says an Exim bank official, works out to less than 50 per cent of the contract value.

Iraq has agreed to pay cash for priority contracts and is asking for deferred payment facilities for non-priority construction works.

The protocol envisages Indian banks extending credit for \$40m to be paid over a three-year period.

The foreign currency credit India is extending is in addition to the rupee component Indian banks are extending to construction companies for the wages remitted by Indian labour back home.

U.S. trade adjustment programme faces axe

BY NANCY DUNNE IN WASHINGTON

A MID-WESTERN U.S. manufacturer of medical X-ray machines found itself losing business to foreign competitors when it turned to a U.S. Government-funded Trade Adjustment Assistance Centre (TAAC) for help.

The Centre, responding with strategic assessment advice and loans, turned the business round. Sales bounded up from \$80m to \$120m (£53m to £50m) a year, and the company finally hired 500 new workers bringing its total payroll to 1,300.

Not all businesses which go to TAAC centres become thriving concerns, but no government loan extended to business under the Trade Adjustment Assistance Programme has ever been unsuccessful, according to Mr Daniel Fennell, director of the Mid-Atlantic TAAC, one of the 18 U.S. regional centres which aid business.

The programme, which provides assistance to individual workers as well as companies hurt by imports, has been active since 1975. However, because it is opposed by the Reagan Administration, trade adjustment assistance (TAA) may come to an end on September 30 when the programme's authorisation expires.

Many trade analysts fear that loss of TAA will open the way for new protectionist legislation because the programme absorbs much of the political heat generated by import-hit industries. They worry that instead of offering financial and technical aid to ailing companies Congress or the Administration might feel compelled to impose higher tariffs or new quotas.

Most of the \$4bn spent on trade adjustment assistance between 1976 and 1982 went

for payments to individual workers and it is this practice which the Reagan Administration has found objectionable.

The Reagan Administration pruned the programme from \$1.4bn in 1981 to about \$102m in 1982, and it now wants to halt funding altogether.

Workers and companies hurt by import competition would then have to seek other federal help.

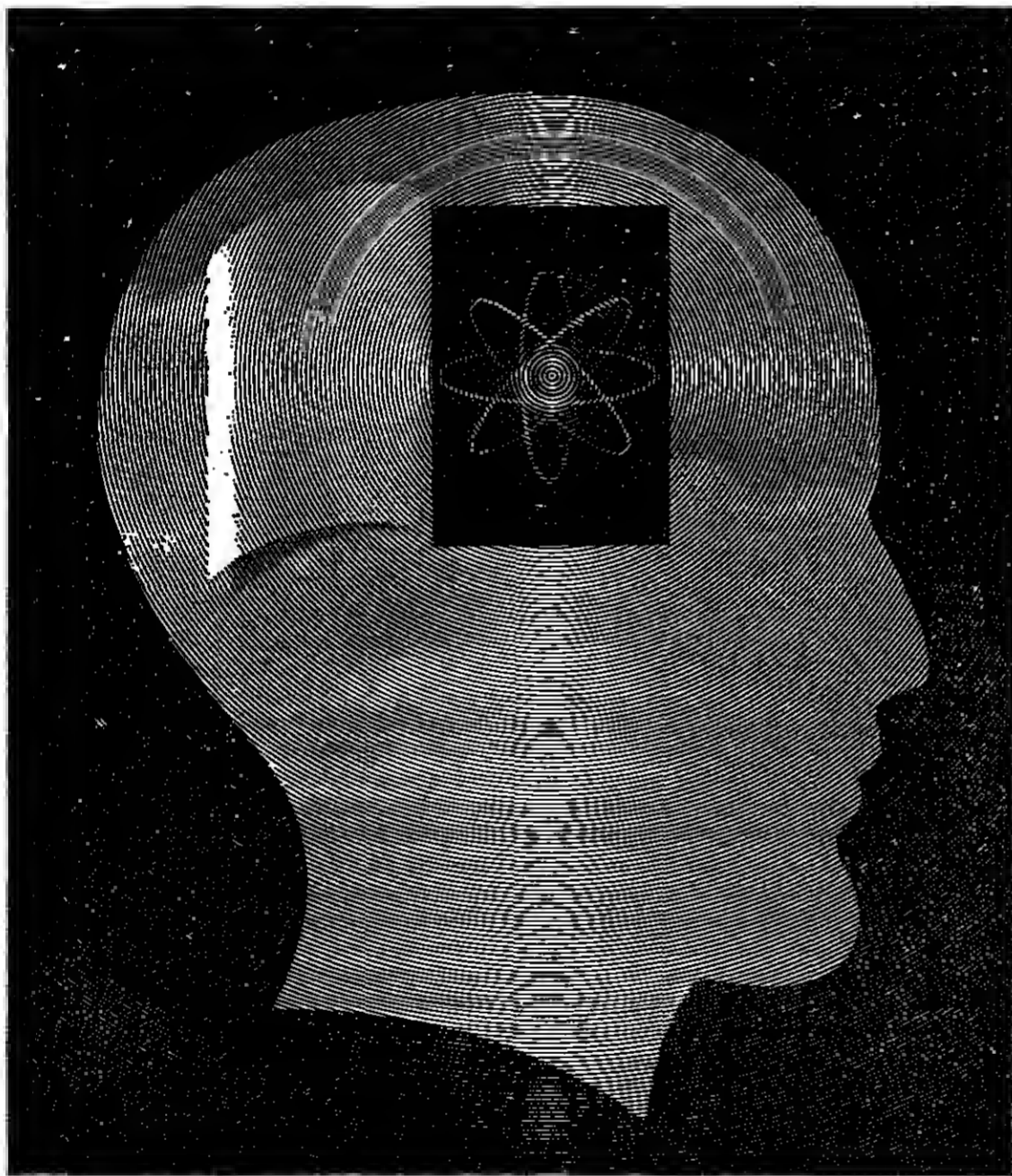
In killing the workers' assistance, the Administration would also end the much lower cost aid to industries. Between 1975 and 1982 business received \$87.5m for technical assistance and \$345m for loans and loan guarantees.

About half of TAAC assistance has been concentrated in the apparel, textile and footwear industries. Programme grants have helped develop new fabric materials and devised cost reduction schemes.

Several Congressmen and Senators from states with high unemployment have said they will try to save the programme. Initially, they may move to get Congress to extend its funding at current levels through a continuing resolution.

A Bill in the House Ways and Means Committee would raise total funding to more than \$200m next year and would at the same time institute reforms to satisfy the Administration. Aid would be extended to workers in companies whose business customers have been hurt by imports and to workers in companies that move production abroad.

Bill would continue financial and technical aid for business at its current \$27.5m a year level, but it also provides more funds for research and development efforts.



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For example, the challenges of tailoring a package to specific client needs and obtaining the best terms

available in the market led Orion Royal to develop the world's first floating rate deposit note.

Combining the characteristics of a money market instrument with those of a securities issue took innovative minds and a lot of creative thinking. The outcome was a highly successful placement.

COMPETITIVE EDGE

The same kind of thinking also led to the invention of the multiple tranche Eurobond issue and

arranged the first "hedged currency" bond issue. When Royal Bankers meet a challenge head on, clients can get a competitive edge.

So whether your needs are in the fields of merchant banking, world trade, money market transactions or energy financing, the Royal Bank can help.

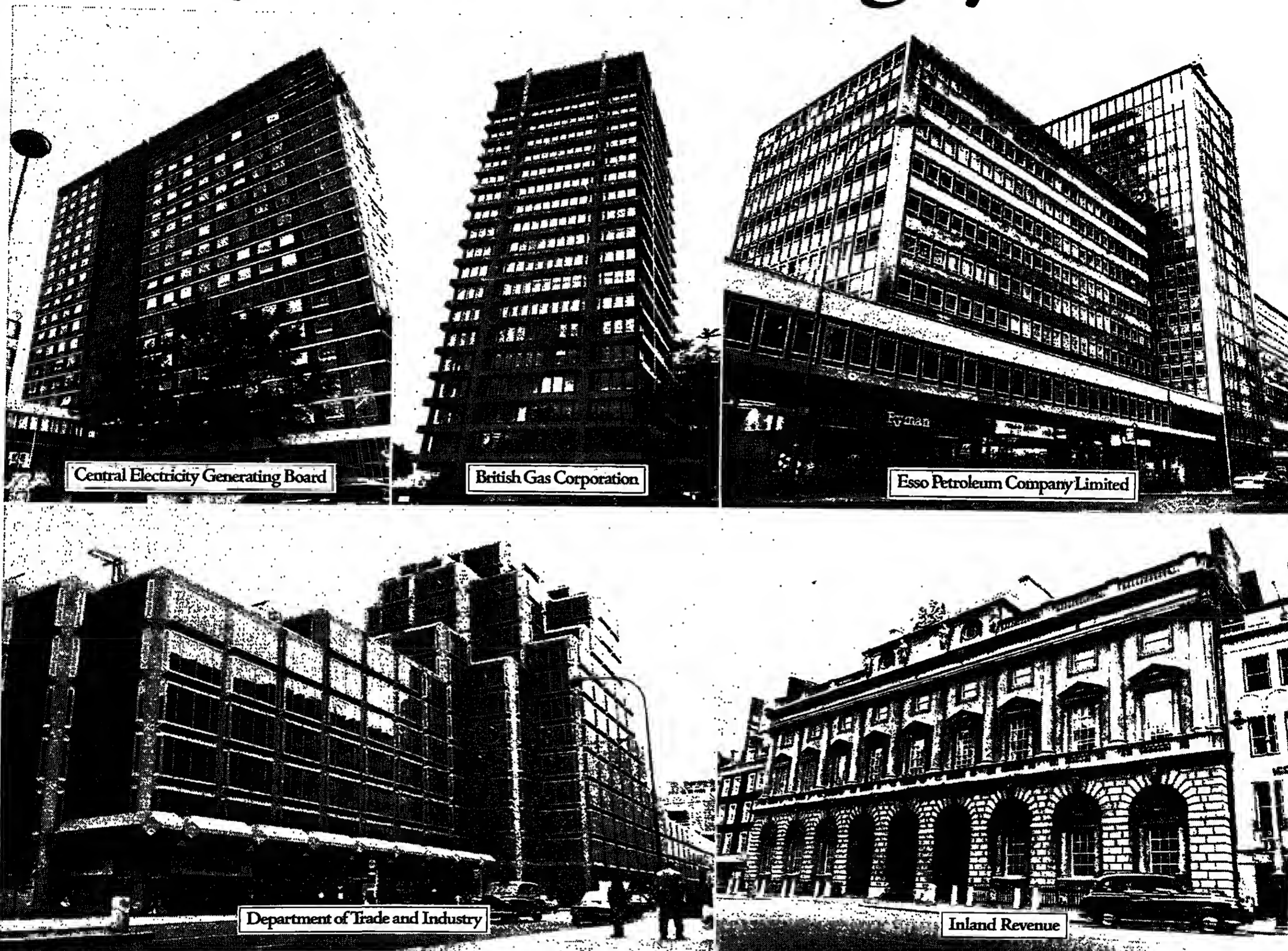
Give us the challenge. We'll put our heads together to help find a new and better way of meeting your financial needs.



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Assets: U.S. \$72.0 billion. Network: more than 1500 branches worldwide; 210 operating units in 40 countries; 44 subsidiaries and affiliates; 2000 correspondence banks in Europe and the Middle East. London, Paris, Brussels, Geneva, Frankfurt, Hamburg, Düsseldorf, Dortmund, Madrid, Beirut, Cairo, Bahrain, Dubai.

A few of the great institutions who have generously agreed to pay for your new heating system.



Perhaps 'agreed' is a little bit of an overstatement.

The truth is, they aren't being given much say in the matter.

It's all the result of a unique financing scheme that enables us to install a new, efficient Colt design without any capital outlay on your part whatsoever.

After installation, payments are simply calculated to match the system's mounting energy savings.

It pays for itself.

Or rather, the Coal Board, the Gas Board, the oil companies and the C.E.G.B.

do, by way of their reduced takings.

The Inland Revenue will even feel moved to cover a portion of your costs in the form of tax savings.

And assuming you're located in a Development Area, the Department of Trade and Industry may well chip in with a modest grant.

So there'll be no need for you to organize a raiding party on your company's funds. It won't cost you a penny in 'new money.'

And once the system has paid for itself, the savings (often as high as 60%)

become yours to profit by year after year.

Just give us a call and we'll have the results of a free, no-obligation survey of your premises on its way to you within a matter of days.

Your company could soon be boasting one of the most efficient, up-to-date heating systems in the country.

For once, it seems, it's true what they say about the best things in life.

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"The investment opportunities in Clydebank are considerable."

CLYDEBANK SUCCESS STORY

Since the formation of the Task Force in 1980 the Scottish Development Agency has carried out a £20m redevelopment programme of infrastructure improvement, refurbishment, new construction and environmental works. To date over 200 companies have been attracted by this activity.

Having proven the market, we feel the time is now right for the private sector to share in the substantial business and development opportunities to be found in Clydebank.

This doesn't mean an end to public sector support. On the contrary, in addition to being an enterprise zone, Clydebank remains a Special Development Area and is eligible for assistance from the Scottish Development Agency (including Urban Development Grants) and the European Coal and Steel Community.

So developers will have all the backing of perhaps the most comprehensive and flexible public sector support package in Britain.

RESULTS TO DATE (AUGUST 1980-1983)

*Industrial/commercial floorspace completed 800,000 sq ft



"Whether you're looking to invest in a new business or in property development, you really should consider what Clydebank has to offer." PAUL SMITH, CLYDEBANK TASK FORCE

- *Industrial/commercial floorspace let 710,000 sq ft
- *New companies established 202
- *New jobs forecast 2,100
- *Public sector investment to date £19.5m
- *Committed private sector investment to date £16.25m

WE CAN PINPOINT THE OPPORTUNITIES With the tremendous upsurge in the local economy, there is probably nowhere in Scotland more promising for further construction or investment. Opportunities exist in all sectors: New industrial and office

accommodation—demand remains strong for units in all size ranges.

Major planned commercial developments include a sports and leisure complex and a new hotel.

Serviced sites, both large and small, are to be made available for private housing development.

Remember, in an enterprise zone all commercial developments qualify for full derating and Industrial Building Allowances.

SHARE IN OUR SUCCESS

Clydebank is once again one of the most thriving communities in Britain. We are confident that it will continue to develop and expand over the next few years.

And the Task Force will be delighted to assist any bank, financial institution, property developer, or construction company interested in profiting from that expansion.

For full details on all the opportunities, call us on 041 952 0084.

CLYDEBANK

CLYDEBANK TASK FORCE
A special branch of the Scottish Development Agency
Agency: Clyde House,
170 Kilbowie Road, Clydebank,
Glasgow.

State plan to exploit defence technology

By David Fishlock, Science Editor

THE UK Government's monopoly over inventions made in state laboratories and universities in Britain, is to be abolished, Prime Minister Mrs Margaret Thatcher announced yesterday.

The Government is also exploring the idea of a "club" of financial institutions that would visit defence research establishments, seeking ideas and inventions with commercial potential.

These changes were disclosed at a seminar in London called by Mrs Thatcher to discuss Britain's shortcomings in the exploitation of new ideas and inventions.

Her decision ends nearly two years of uncertainty for the British Technology Group, formed from the merger of the National Enterprise Board and the National Research Development Corporation, to exercise the government's rights over inventions.

The NRDC was given the monopoly when it was originally created in 1949, with the primary role of protecting Britain's "intellectual property" against foreign exploitation.

Mrs Thatcher said the monopoly had been a mistake. It was "very restrictive and widely criticised, not least by scientists wanting to exploit their work."

Mr Michael Heseltine, Secretary for Defence, said his ministry was planning to invite groups with access to venture capital to organise themselves into a club that might produce a portfolio of defence research ideas with commercial potential.

The groups it was talking to included Barclays Bank, Lazard, Frutec, Cogent, Herford Ventures and the Cranfield Business Institute.

"In essence they will act as technology brokers between our establishments and the high-tech industries," Mr Heseltine said.

The plan was to start at the Royal Signals and Radar Establishment. But this pilot experiment would be followed by similar initiatives at the Royal Aircraft Establishment, Farnborough, biggest of the defence ministry's research establishments, and Navy laboratories.

Labour blames party machine for poll defeat

BY KEVIN BROWN

THE LABOUR PARTY tried, and failed yesterday to turn its back on the bickering that marred its general election campaign in June this year.

There was virtual unanimity on the national executive committee (NEC) that the policies on which the party fought the election were not responsible for the scale of the defeat.

Instead, Left and Right agreed that the party organisation was run down and inefficient compared to the vote-winning machines fielded by both the Conservatives and the Social Democratic Party/Liberal Alliance.

But even as Mr Neil Kinnock, the leading contender for the Labour party leadership, was calling for the party to "modernise, work, become more sensitive and unified," Mr Michael Meacher, the left-wing candidate for the deputy leadership, was distributing a statement bitterly critical of Mr Roy Hattersley, the centre-right leadership candidate.

The NEC avoided a row over a

leaked report by Mr Denis Healey, the present deputy leader, criticising both the party's organisation and its public confusion over policy.

The meeting was expected to be bad-tempered, but in the event the only clash came when Mr Dennis Skinner and Mr Laurence Coates, left-wing leader of the party's youth section, claimed the election defeat was largely the result of the right-wing campaign against the editorial board of the Militant newspaper.

Mr Coates, who urged the party to organise on the lines of the successful French and Greek socialist parties, was rebuked by Mr Healey, who pointed out that both parties had begun by expelling their Trotskyist fringe.

Mr Michael Foot, attending his last meeting as party leader, had little to say except to thank the NEC for its support of his leadership.

The NEC responded by making clear that he carried no personal blame for the election defeat.

Mr Kinnock left the meeting in evident good humour, claiming the

party's election post-mortem had been "more of a biopsy than an autopsy. This party is still very much alive," he said.

He told the NEC that the party's election policies were not a significant cause of its defeat, but he admitted the divisions in the party were "the source of any lack of authority so far as the electorate was concerned."

Later, in a speech to party workers in Stoke, Staffordshire, Mr Kinnock called for the party to double its 273,000 membership in the next 18 months. He urged widespread reforms to streamline the party machine, including the appointment of an election manager, and warned that perpetual constitutional conflicts "cut us off from the people."

He also appealed for party members to stop "contriving" rows in the media which greatly damaged the party for factional advantage. Party members' venom was better expended on Labour's enemies, he said.

Pace of consumers' spending slows down

BY MAX WILKINSON AND DAVID CHURCHILL

SPENDING in shops slowed in August from the brisk rate of trading in the early summer, according to official figures published yesterday.

However, retailers remained generally confident that the recent sales boom was not yet petering out.

Provisional estimates from the Department of Trade and Industry put the volume of retail sales in August at 13 per cent above its level in 1978. In June and July sales had been running at about 14 per cent above the average for 1978.

This slight fall — after allowing for seasonal factors — may be taken as a pointer by those economists who believe that the rate of growth of the economy as a whole will decelerate in a few months' time.

Both the National Institute of Economic and Social Research and the Confederation of British Industry believe that the rise in national

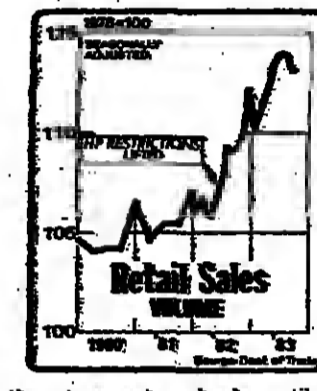
output — now running at an annual rate of about 2 to 2½ per cent — will come to an end next year, partly because consumer spending will be less buoyant.

The Treasury, on the other hand, remains optimistic that the present moderate rate of growth will continue in 1984.

Yesterday's retail sales figures, though perhaps a little disappointing for the optimists, do not provide any decisive evidence for a change in spending patterns.

In spite of the fall in August, trade in the three months June to August was still 1 per cent higher than in the previous three months, and 5 per cent higher than in the corresponding period of 1982.

During the first eight months of this year, trade was running at a level which was 4 per cent higher than the average for last year as a whole, and the major retailers con-



tinued to expect good sales until at least the end of the year.

The Retail Consortium, which represents the bulk of Britain's retailers, conceded yesterday that there was some easing off of the buoyant trading conditions. "But this is by no means the end of the so-called boom," a spokesman added.

Retailers have been reporting to the consortium very good sales figures in the early summer months as a result of heavy price promotions. August is traditionally seen as a slack month.

Growth to slacken, Page 11

TOURISTS NOT ALLOWED

A man travelling on business needs more than a man travelling on holiday. That's why the Brussels Sheraton created their Sheraton Towers Service. It's a whole new kind of 'hotel in a hotel' that offers all the services a busy businessman needs. Things like a separate hotel entrance, tower Stewards and deluxe rooms (with lots of little extras) on a floor that is reserved only for tower guests like you. Plus you'll have free access to our Health Club and indoor swimming pool. Call 02/219 3400 for more information and reservations. Your room is waiting for you.

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Finally, a company benefit that benefits the whole company. The Air Travel Card. How? By giving employees prestigious identification around the world. And by giving financial managers greater control of expenses. That's because the Air Travel Card is good for one thing: air travel and related expenses. So if business and pleasure should mix, this card will keep the record straight.

At the end of each accounting period,

your company will receive one statement for all air travel expenses. Regardless of the number of cards you issue in the company. Best of all, there's no monthly charge.

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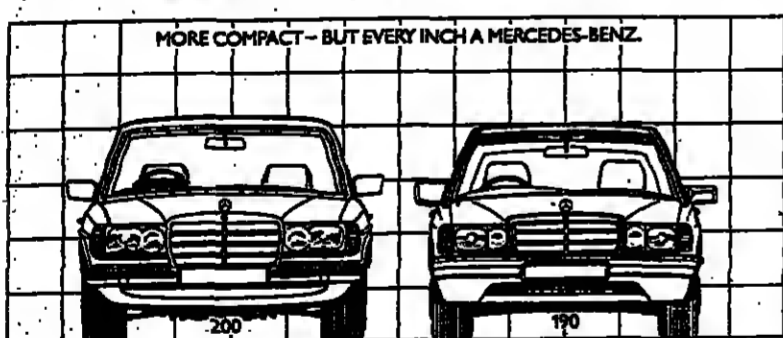
OWN THE SKY. USE THE AIR TRAVEL CARD.

THE NEW CO-OP IT'S EVERY INCH A MERCEDES-BENZ



The new compact Mercedes-Benz 190 is a foot shorter and 600 pounds lighter than its cousin, the 200 saloon. But thanks to ten years of intensive research and development, and some of the most advanced automotive engineering on the road, it is every inch a Mercedes-Benz.

As Steve Cropley, Editor of 'Car,' wrote: "Few things are small, about the stunning Mercedes-Benz 190 - apart from the road area it occupies."



1973: THE CONCEPT

The 190 is based on a unique concept: to produce the first car offering the build-quality, integrity, safety and comfort of a Mercedes-Benz in compact form. It took ten years to meet the triple objectives:

1. Achieve lively performance and low fuel consumption.
2. Produce Mercedes-Benz standards of comfort and safety.
3. Ensure that the total reliability matched those of the other cars in the range.

Had all three objectives not been met superbly, there would have been no Mercedes-Benz 190 in 1983.

SPRINTER AND MARATHON MAN IN ONE

FUEL CONSUMPTION TEST: 190 (190E)						
Transmission	Simulated Urban driving		Constant speed driving 90km/h (56mph)		Constant speed driving 120km/h (75mph)	
	L/100km	mpg	L/100km	mpg	L/100km	mpg
4-speed manual	10.7 (10.3)	26.5 (27.6)	6.5 (6.4)	44.3 (43.9)	8.4 (8.3)	33.7 (34.1)
5-speed manual	10.7 (10.3)	26.5 (27.6)	5.8 (5.8)	48.7 (48.9)	7.8 (7.8)	36.3 (36.2)
Automatic	10.5 (10.3)	27.0 (27.4)	7.0 (6.9)	40.4 (41.0)	8.9 (8.7)	31.7 (32.5)

There are two engine options and three gearbox options. The 190 has a two-litre, carburettor engine; the 190E's two-litre engine is fuel-injected. Both models are available with 4- or 5-speed manual gearboxes or a 4-speed automatic.



The outstanding figures in the chart show what can be achieved when an exceptionally low co-efficient of drag (0.33) and high-strength, low-weight materials are combined with totally refined engines and gearboxes.

THE 190: TWO LITRE CROSS-FLOW FOUR-CYLINDER ENGINE, REFINED TO PERFECTION.

The cross-flow units in the 190 and 190E achieve high torque at low engine speeds, so manoeuvres like overtaking in heavy traffic are effortless, and the smoothness and quietness with which they are accomplished is decidedly unusual for cars of this size.

And, because four cylinders have a lower friction-loss factor and occupy less space, they contribute to less fuel consumption.

The 190's engine produces 90 DIN/hp, and has contactless, transistorised ignition.

THE 190E, WITH THE WORLD'S MOST ADVANCED ELECTRO-MECHANICAL FUEL INJECTION SYSTEM.

The 190E's fuel injection system combines the reliability of a mechanical system with the advantages of electronics; the electronic 'fine tuning' helps reduce fuel consumption by varying the mixture according to the driving situation, and incorporates a fuel cut-off on the over-run.

FIRST COMPACT CAR THAT FEELS LIKE A MERCEDES-BENZ.

By developing a new coil-spring shock absorber strut front suspension as well as a revolutionary new, patented multi-link rear suspension, the engineers have achieved the same legendary 'ride' characteristics as the larger Mercedes-Benz models.

LESS IS MORE.

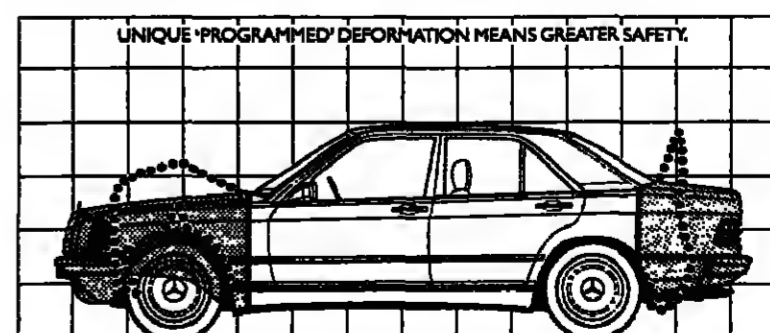
The 190 is not a long car, but it has an unusually long wheelbase, which combines with the powerful engine to allow a dynamic driving style in maximum safety and comfort.

The overall length is only 14 feet 6 inches, the turning circle just 34 feet 10 inches. Yet the 190 transports four full-sized adults in comfort.

SAFETY THAT EXCEEDS ALL INTERNATIONAL REGULATIONS.

The active and passive safety features of the 190 match the standards set by other Mercedes-Benz cars, exceeding, by far, all national and international safety standards.

This is only possible because the 190's sturdy, light-weight design is unique. High-strength micro-alloyed sheet metal, light alloys and special plastics have been used to reduce weight without reducing strength or quality.



ENGINEERED LIKE NO OTHER CAR IN THE WORLD.

The compact 190 exists in 1983 because it is not a small car in any conventional sense. It is every inch a Mercedes-Benz.



UK NEWS

EEC faces challenge over alcohol subsidies

BY CARLA RAPPOPORT

THE UK Government has been asked to intervene on behalf of the country's synthetic alcohol producers over a proposed EEC regulation to subsidise surplus wine and agricultural alcohol.

BP Chemicals, a division of British Petroleum and one of the largest producers of industrial alcohol in Europe, has approached the UK Government for assistance, claiming that the regulation would have an "enormous" effect on the UK industry.

The proposed regulation for subsidies for wine alcohol stems from an attempt by Brussels to reduce the community's wine lake.

Synthetic alcohol producers claim, however, that these subsidies would create excess brandy which, in turn, could be refined into industrial alcohol.

It is one of two disputes between

EEC countries over alcohol trade. Last April, the UK Government, made a formal complaint to Brussels, with the support of the Netherlands, West Germany, Belgium and Ireland, claiming that France was protecting its home alcohol market and subsidising exports. The matter was referred to the European Court in May.

At that time, the court urged France to take interim measures to ease the problem. Last month, France instituted a tax on its exports of alcohol in an attempt to neutralise its indirect subsidies to the industry.

"It is a small step toward a free market, but we've got a long way to go," Mr Peter Johnson, business manager for BP's ethanol (synthetic alcohol) business, said yesterday.

BP Chemicals did not sell any alcohol to France until three years

ago, when it began selling into the market to see if it would be stopped. The EEC alcohol market is at present worth about £450m a year, with the French market accounting for about 15 per cent of the total.

The UK group accounts for about 30 per cent of EEC industrial alcohol sales.

BP chemicals recently invested some £50m in its new ethanol plant at Grangemouth, Scotland. Mr Johnson said yesterday that large quantities of subsidised alcohol posed a "serious" threat to the long-term future of BP's ethanol plants.

He said there were about 500,000 tonnes of wine in storage in France and Italy. "If allowed out, it will not only create an immediate problem, but a serious problem for years to come."

Men and Matters, Page 18

Office of Fair Trading lists milk restrictive agreements

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE OFFICE of Fair Trading yesterday shed some light on the complex system of milk distribution in the UK - a system which means that while British consumers drink more liquid milk per head than any of their European counterparts, they also have to pay substantially more per pint for the privilege.

Sir Gordon Borrie, Director General of Fair Trading, yesterday listed some 54 separate restrictive trade agreements between the big dairies and other milk producers aimed at limiting competition over the supply of milk.

A further 20 agreements are still being considered by the Office of Fair Trading (OFT) and it seems likely that many similar deals are still operating in the milk distribution industry. These agreements include price fixing, collusive tendering, special discounts, and the allocation of milk rounds.

The fact that the 54 agreements were formally placed on the Register of Restrictive Trade Practices in London yesterday represents a major victory for the OFT in a long-

running battle to secure greater competition in the supply of milk. Just over two years ago, the concerted efforts of the dairy trade and the Ministry of Agriculture forced the OFT to abandon plans for a Monopolies Commission investigation of milk supply.

At that time Sir Gordon said: "I intend to keep trends very closely under scrutiny and shall not hesitate to review my decision if there are signs of muted competition."

Since then, the OFT has indeed found reason to believe that competition in the industry has been muted. The evidence, however, came as a result of the Co-operative Wholesale Society (CWS) "coming clean" about restrictive trade agreements it was operating. The CWS, along with the rest of the co-operative movement, is responsible for supplying about one in three of the bottles of milk sold in Britain. The equivalent of about 800 pints of milk are sold to the UK each year, according to trade sources.

The major dairies "owned" by the CWS - it is understood without

their knowledge - included Express Dairies, Associated Dairies, Unigate, and Northern Dairies. Unigate is second in market size to the Co-op - with about 20 per cent of the market - followed by Grand Metropolitan's Express Dairies with some 10 per cent, Northern with about 5 per cent, and Associated with 3 per cent.

The origins of yesterday's wholesale disclosures of secret agreements start in November 1981, when, as a result of complaints, the OFT uncovered a restrictive trade agreement operating between a number of dairies in the Bristol area.

Under the 1978 Restrictive Trade Practices Act, all agreements between two or more parties which included any form of restriction on those parties must be put on a special register in London. If the agreement is put on to the register within a certain short-time limit, then the agreement can continue to operate until ruled otherwise by the Restrictive Practices Court in London.

For more information tick box no. 1.

Automatic controls and insulation ensure lower heating costs

runs and spray taps provide a further control over running costs. Total installation cost of the under-floor heating was £18,600 and the running costs for the heating and the water heating for the year ending September 1982 amounted to £2,234. Bemco's Chairman is very pleased with



Bemco's warehouse: electric heating brought great flexibility in use of space and in temperature control.

the installation. "We wanted a heating system which would be trouble-free," he said. "With our previous experience we favoured electric heating. We are delighted with the under-floor system installed."

For more information tick box no. 1.

Local electric water heating saves energy

At the end of the winter heating season, many companies simply shut off the central heating and leave the boiler to provide hot water only. By doing so, they could be wasting more than 85 per cent of the system's energy input.

A combination of long pipe runs and heat losses from boiler and flues can easily combine to produce such staggering losses.

The new publication, *Electric Water Heating for your Business*, is essential reading for anyone concerned with cutting energy consumption in buildings. It points to probably the most effective method of ending the waste of an under-used centralised system: electric water heaters situated at the point of use. They can be installed exactly

where they're needed, with short, well-insulated pipe runs. A range of sizes is available, from small instantaneous or storage heaters serving a single basin through to larger storage units supplying hot water to several nearby points, and using cheaper night-time electricity.

All point-of-use electric heaters can be neatly situated in the minimum of space - smaller units over or under the sink, larger ones housed unobtrusively wherever they are needed. Between the two extremes is a comprehensive range of units to suit most needs, supplying sinks or showers, baths or basins and even kitchens. They are all factory insulated to the highest standard.

Installation costs are way below

those of conventional central systems: the capital cost of a local electric water heating system can be less than half of its central boiler equivalent. Fuel storage problems are eliminated, maintenance is minimal. Spray taps can further reduce the amount of hot water actually used. Some units have electronic controls to run for a pre-set time only. Systems can be metered floor by floor where multiple occupation makes it necessary.

If you want to know in detail how local electric water heating could precisely and cost effectively meet your needs, the booklet is an excellent place to start. To get a copy, simply fill in the coupon.

For more information tick box no. 2.

David Fishlock reports on challenges facing industry

UK's failure to tap its engineering skills

FEW MEETINGS Mrs Margaret Thatcher, the Prime Minister, has presided over can have been as good-natured as that at Lancaster House in London yesterday. Yet the subject was controversial enough: Why does Britain fail to earn as much as its main trading rivals from the brains of its scientists and engineers?

Mrs Thatcher had gathered 250 leading figures in innovation from the City of London, industry, universities and government, to tell her how to earn more. But it was stressed that no one was seeking a national plan for innovation - merely to highlight the shortcomings of the British way of innovating.

As might be expected on a topic which has been contentious for two decades, since former Labour Prime Minister Harold Wilson's "white heat of technology" speech late in 1963, her experts disagreed.

Mr Keith Duckworth, chairman and chief engineer of Cosworth Engineering, was sure that the big expansion of higher education in the 1960s had accelerated the decline of British industry by trying to expand a system which already over-stressed academic rather than commercial virtues.

The expansion had reduced opportunities, he said, for industry to get the kind of innovative recruits it

needed. These were the product of being taught in an industrial environment "with people around to tell you what is wrong with your suggestions."

Mr Duckworth went so far as to allege - although not to substantiate - that many recruits lost to industry were only pursuing activities detrimental to industry.

The academic community was not amused. But Sir Clive Sinclair, chairman of Sinclair Research, went still further. Everyone should be taught technology - how things work - just as everyone was taught to read and write. His view later received endorsement from Sir Keith Joseph, Secretary for Education and Science.

Dr Eric Duckworth, director of the Fulmer Research Institute, said universities could do themselves some good by learning more about the kind of students they were taking from the schools. Dr Duckworth also urged his listeners not to go overboard for high-technology innovation. Incremental innovation in the older industries could be no less of an intellectual challenge. "If we had kept up with the world here, we would have had 2m fewer unemployed," he claimed.

Lord Weinstock, managing director of GEC, said innovation was a normal function of management in industrial companies and he was not sure that it was any different from innovation in small companies. But he put a lot of faith in the need for a "project champion" to lead an innovative venture.



Mr Harvey-Jones of ICI: myths about risk capital

of chemical opportunities based upon our own and other scientific capabilities in this country rather than finding ways of breathing a last gasp of life into a dying business."

He dismissed as a myth any idea that shortage of risk capital was a problem for Britain. Nevertheless, he stressed that "successful exploitation of innovation often requires taking very large risks on very large amounts of money."

He believed large companies had a particular responsibility in exercising what he called "staying power for the long haul."

Sir Walter Marshall, chairman of the Central Electricity Generating Board, said technology-led innovation was fun but not likely to be commercially successful.

The kind of innovation the Japanese were particularly good at was market-led innovation. He also forecast that should the innovators fall down on any one of the many disciplines needed today to bring innovation to the market place, the venture would surely fail.

Sir Walter said he saw one thing going for British companies today that was missing five years ago. They now had time to think about products. Five years ago they had time only to concern themselves with industrial relations.

Life assurance chief attacks register plan

BY ERIC SHORT

THE LINKED Life Assurance Group (LLAG) has expressed considerable misgivings over the proposed establishment of a Registry of Life Assurance Companies, known as Rolac, which would regulate the amount of commission life companies paid to independent intermediaries.

Under Rolac, details of which were unveiled last week, intermediaries would be paid specific rates of commission on life and pension policies varying according to their specialist Rolac classification.

Over 80 life companies have taken part in the discussions leading to the proposals. However, Mr Ralph Sepel, chief executive of Albany Life Assurance and chairman of the group, said that Rolac would have a counter-productive impact on inde-

pendent intermediaries. He expressed concern that a number of firms would not be able to sustain commercially viable operations under the Rolac proposals and this would have a negative impact on the consumer.

He was also concerned at the effect of Rolac on the formation of new life companies and the position of tied agents - agents tied to one or two life companies for most of their business.

The Linked Life Group represents most life companies which are not members of the two main life associations - the Life Offices Association and the Associated Scottish Life Offices.

However, the group has not expressed total opposition to Rolac,

Further £10m funding for Sea Wolf missile

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

ADVANCE funding of some £10m for the further development of the British Aerospace vertical-launch Sea Wolf missile has been agreed by the Ministry of Defence.

The conventionally launched Sea Wolf - an anti-missile missile - is already deployed on the Royal Navy's Type 22 frigates.

Defence strategists argued during last year's war in the South Atlantic that if more Sea Wolves had been deployed British ships might have fared better against the sea-skimming Exocet missile.

The £10m advance funding was announced yesterday at the Royal Navy Equipment Exhibition in Portsmouth, which was opened by Mr Geoffrey Patte, minister in charge of defence procurement.

British Aerospace Dynamics

Group has been developing a vertically launched lightweight version of Sea Wolf to improve the missile's flexibility. The Ministry of Defence has so far put only small sums into the development programme.

British Aerospace said the ministry had appointed its Bristol division as prime contractor for the development work.

Marconi Space and Defence Systems has already received a multi-million-pound contract to produce a new lightweight tracking radar for Sea Wolf, and is also involved in the vertical-launch version.

The Canadian Navy could be the first foreign buyer for the vertical-launch version of Sea Wolf for its planned patrol frigates.

Vesper talks fail, Page 11

Business campaign to be revived

By Tim Dickson

A NEW campaign is likely to be launched in the new year to promote Government measures to help small businesses.

The campaign will follow up a similar exercise earlier in the summer, which was cut short by the general election in June this year. A total of £2.5m was set aside for that initiative, but in the event only £2m was spent.

"We have decided to use the other £500,000 to reinforce the message," a Department of Industry official explained.

Although the guide, *How to Make Your Business Grow*, which was sent to all respondents to this year's campaign, has been praised for its clarity and simplicity, the Government is still not convinced that advertising its small business scheme is good value for money.

An evaluation of the results is still taking place and the choice between future newspaper and TV advertising remains open.

Ministers are studying the 108 measures which they claim have been introduced specifically for smaller firms. This review might lead to a rationalisation of the schemes available.

FOOTWEAR manufacturers in Lancashire are studying proposals to establish an export bureau in an attempt to halt declining sales.

BELTON HOUSE, Lincolnshire, and its historic contents have been preserved for the nation as a result of an £8m purchase by the National Trust from Lord Brownlow, the owner. "Surplus" works of art of the house are to be sold by Christie's.

FORD is stockpiling 500 Escort cars a day at its Halewood, Merseyside, plant as a result of a strike by long distance delivery drivers employed by Silcock and Colling, Accs, the Government's conciliation service, is attempting to find a formula for ending the dispute over 50 redundancies.

LAZARD BROTHERS, the merchant bank, is launching a new unit trust aimed at directing local authority and private sector pension funds into local industry in the north-east of England.

ENERGY BLUEPRINT

PLANNED EFFICIENCY AND ECONOMY IN THE USE OF ELECTRICITY. 18

The British Electrical and Manufacturing Company Limited (Bemco) wanted a clean, reliable, trouble-free heating system for its warehouse and offices purpose-built in 1980 at Wandsworth Bridge, London. They needed a system which would not encroach on the warehouse space, which would give maximum layout flexibility for present and future needs and which would offer low running costs.

After seeing an electric under-floor heating installation in operation, the company decided on the same type of system. It gave the flexibility needed for setting different temperatures in different areas, took no storage space and, with no moving parts, was simple and reliable. Running costs are strictly controlled, firstly through the use of low-cost night-rate electricity and also through sophisticated automatic controls. These use outside sensors to ensure that the system stores just the amount of heat demanded by the prevailing weather conditions.

The system heats the warehouse, stores and offices with a total area of 2,376m². Overall energy-efficiency is aided by the special attention given to insulation - all walls are cavity filled, there is double glazing throughout and additional insulation was installed above the false ceiling in the offices.

Night-rate electricity is also used to provide hot water for the shower and for hand washing, and a smaller storage heater is used to supply kitchen hot water. Short, well-insulated pipe

Automatic controls and insulation ensure lower heating costs

runs and spray taps provide a further control over running costs. Total installation cost of the under-floor heating was £18,600 and the running costs for the heating and the water heating for the year ending September 1982 amounted to £2,234. Bemco's Chairman is very pleased with



Bemco's warehouse: electric heating brought great flexibility in use of space and in temperature control.

the installation. "We wanted a heating system which would be trouble-free," he said. "With our previous experience we favoured electric heating. We are delighted with the under-floor system installed."

For more information tick box no. 1.

One of the UK's new leisure centres, at Ryde, Isle of Wight, is a prime example of good energy management. As well as two pools, the Westridge Leisure Centre has eight squash courts, a cafe and restaurant, lounge bars and a general reception area.

A heat pump is used to remove the moisture from the pool hall air. Using proven electric heat pump technology Sulzer Brothers (UK) Limited designed and installed the plant to use recovered heat, not only to provide heating for incoming fresh air but also for the hot water services and the pool water.

To give an enhanced swimming environment free of smells and eye irritation, ozone is used for the water treatment, keeping it sterile and removing organic pollutants. It means that the heat recovery system can include a high degree of air recirculation which minimises the total energy consumption of the system.

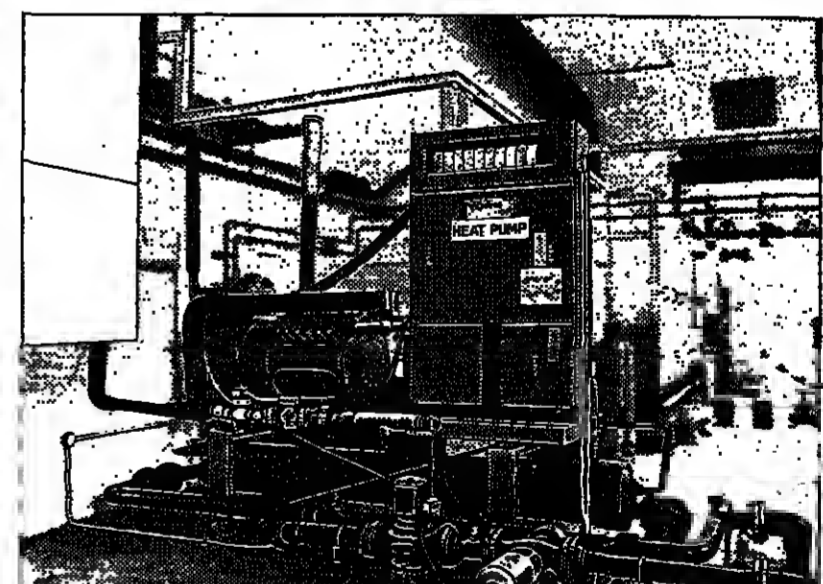
The electric heat pump and ozone treatment is only part of the way in which electricity has been put to efficient use throughout the whole complex. Electric heating and an all-electric kitchen have also been installed.

Southern Electricity provided the electrical design and contracting service for the complete complex, including the heating arrangements for the "dry" areas. Storage heaters supply economical warmth day and night, with direct-acting heaters providing top-up when it's needed. By making full use of low-cost night-rate electricity in combination with high levels of insulation and double glazing throughout the building, a pleasantly warm environment is assured at an economic price.

Help with the kitchen design came from the Electricity Council's catering project team. This team aims to meet a client's catering needs by matching the right items of equipment to suit the menu and by eliminating waste both in capital outlay and in day-to-day running costs. They provide advice on the most effective layout for the equipment, which here includes a convection oven, a pressure steamer, steak grill and fryers for production of a wide range of dishes - quickly, cleanly and efficiently.

The pool itself, often used by more than 1,000 people a day is open 12 hours a day, seven days a week. Its popularity with swimmers is largely due to the fresh conditions produced by the ozone water treatment. Its popularity with its operators is probably more to

Modern energy management at an all-electric leisure centre



Electric heat pump at Westridge Leisure Centre, the heart of the system providing fresh pool conditions with economy and efficiency.

do with the savings the all-electric system offers - calculated at about £20,000 per year compared with conventionally designed pools. The heat recovery equipment cost £65,000 which is recoverable in about three years through operating savings.

For more information tick box no. 3.

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UK NEWS

Building societies stand firm on keeping rate cartel

BY MARGARET HUGHES

LEADING building societies in Britain would not follow the lead of the Abbey National society in withdrawing from the interest rate cartel.

Abbey, Britain's second largest society, announced last week that the system operated by the Building Societies Association of fixing interest rates for borrowers and depositors had "outlived its usefulness." In future it would take its own decisions, it added.

The view among Abbey's chief rivals yesterday was that the decision to leave the cartel was largely political and aimed at frightening smaller societies, which have been operating a free-for-all in the fight for depositors' funds.

Some of these pay higher interest rates than the big societies, and tend not to comply with a requirement to give 28 days' notice of any proposed change in terms.

Although the main societies have suffered from these moves, they feel the Abbey decision was unnecessary. Mr Calum Macaskill, deputy chief general manager of the Halifax, the largest society, said the interest rate agreement on deposits was "by no means rigid." It offered freedom which the Abbey National had "exploited to the full."

As a result of the growing competition for deposits, the five largest societies have this year seen their market share drop from about 60 per cent to 38 per cent.

Mr John Bayliss, a general manager at the Abbey, said yesterday that the society would not necessarily be putting up its rate to depositors. They would, more likely, alter the range of products on offer to savers.

Although Abbey's rivals are showing a united front, they privately concede that they would increase their rates if forced to do so. The implications of this for the mortgage market are unpredictable. But if higher rates succeed in attracting more funds, mortgage rates could fall.

Some of the societies might find themselves with a surplus of funds for which they had paid a high price. The position could be even more difficult for them if next year the banks come back strongly into the market for mortgage funds. Abbey's calculation is that under these circumstances the smaller building societies would suffer the most.

Britain has 211 building societies of which 48 are members of the Building Societies Association. Total deposits of the societies at the end of June totalled £71.4bn, while total assets amounted to £77.8bn.

Vosper and unions fail over reforms

VOSPER THORNYCROFT, the troubled warship builder which could make 1,000 workers redundant over the next months, has failed to win union agreement for sweeping changes in work practices.

The failure is a serious blow for the company's chances of building at least one of the Royal Navy's next two Type 22 frigates and preventing massive cutbacks among its 5,000 workers.

At a meeting with management, officials representing the 3,000 staff at Vosper's Woolston, Southampton, yard where the frigates would be built, dismissed as irrelevant the company's demands for more flexible and disciplined working.

A document presented to the unions listed no fewer than 77 proposals for changes in working conditions. No official comment was forthcoming afterwards from either management or unions, but one senior union official who declined to be named, said: "Demarcation is said to be the bane of British industry, but it isn't."

"Demarcation doesn't matter if your production line is moving smoothly; it's the system that needs reorganising at Vosper," he said.

The official also pointed out that the proposals would inevitably lead to further job losses and could effectively wipe out some trades. Last month management told workers that acceptance of more flexible practices would enable Vosper to submit a lower tender for the new frigates contracts which are due to be announced in the autumn.

Competing with Vosper for the work are Cammell Laird and Swan Hunter - both of which are located in unemployment blackspots. This factor, together with the high overheads Vosper has to bear as a specialist yard, will also undermine the company's bid.

Vosper has traditionally been one of British Shipbuilders' biggest cash earners, but last year company trading profits fell from £9.3m to £4.5m as it took on loss-making contracts to prevent redundancies.

UK growth likely to slacken next year, says bank report

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

GROWTH OF national output in the UK is likely to slow down next year as the pace of shop spending slackens, the National Westminster Bank says today in its latest Economic and Financial Outlook.

The commentary, written by Mr David Kern, the bank's chief economist, suggests that the average annual rate of growth in 1984 will be between 1½ per cent and 2 per cent, after a growth rate of 2½ per cent this year.

Mr Kern also believes that the inflation rate will pick up next year to an annual average of just over 6 per cent compared with 4½ per cent expected for this year.

He believes the UK current account of the balance of payments will deteriorate, with the surplus falling from last year's revised figure of £3.4bn to about £500m this year and next.

More generally, the bank expects a continuation of the world's slow economic recovery, in spite of the concern over the difficulties of debtor countries. It thinks that the recent rapid rate of growth in the U.S. will moderate so that output in 1983 and in 1984 will be 3½ per cent higher than in the preceding years.

The bank foresees a comparatively stable period for interest rates.

It says: "Although the upsurge in U.S. money supply growth shows signs of easing, some increase to the official discount rate and in prime rates is still possible in the short term. However, sharp rises in U.S. rates seem unlikely, given the adverse effect such a development could have on large debtor countries."

The report suggests a moderate fluctuation of U.S. interest rates in the range of 10 per cent to 12 per cent, during the next 12 to 18 months.

Miners obey union over Scargill

FINANCIAL TIMES REPORTER

POLISH-BORN mineworkers in Nottinghamshire yesterday obeyed a union instruction not to stage a demonstration when Mr Arthur Scargill, the miners' leader, visited a colliery in the area.

They had threatened to challenge Mr Scargill for his recently published attack on the banned Polish independent trade union, Solidarity. In a letter published in a Workers' Revolutionary Party newspaper, Mr Scargill described Solidarity as an "anti-socialist organisation which desires the overthrow of the socialist state."

The Nottinghamshire coalfield employs thousands of Polish-born miners who were angered by Mr Scargill's recent visit to Moscow and by his attack on Solidarity. Mr Scargill was determined to say nothing about Solidarity yesterday during his visit to Ollerton colliery. He was asked three times if

Solidarity was discussed, and each time he avoided answering the question. "I have had a wonderful welcome from the men. We have discussed 100 different things to which miners are interested, particularly pensions and early retirement," he said.

Ole Polish-born miner, Mr Richard Czubkowski, who questioned Mr Scargill, said: "He explained the situation and said his words had been taken out of context. He now says he supports Solidarity and is against the Polish Government. I am satisfied with his explanation."

Mr Scargill will be asked to explain his position on Solidarity at a meeting of the National Union of Mineworkers' executive committee on Thursday.

Mr Scargill will hold his first formal meeting today with Mr Ian MacGregor, the new chairman of the National Coal Board. The occasion is a routine meeting of the Coal Industry National Consultative Council, which brings together representatives of the board and all three mining unions.

However, the agenda includes consideration of the board's 1982-83 report of the industry's poor financial performance. There is, therefore, scope for conflict between the two men on what they see as the future direction of the industry.

Mr MacGregor is expected to declare his intention to press ahead with the programme of closures in an effort to eliminate uneconomic pits.

However, it is by no means clear that he will attempt to move faster than his predecessor, Sir Norman Siddall. Closures are already going through relatively rapidly, and none is being seriously contested by local workforces, in spite of NUM opposition.

SOCIAL DEMOCRATIC PARTY CONFERENCE

Owen urges higher taxes on capital for social justice

BY IVOR OWEN

"We must be the monopoly breakers, the cutters of regulations and bureaucracy"

HIGHER RATES of tax must be imposed on income derived from capital assets if Britain is to become a more equitable society, showing greater compassion for the unemployed and other socially deprived groups, Dr David Owen declared in his keynote speech to the Social Democratic Party's annual assembly in Salford, Lancashire, yesterday.

Firmly setting the posture he wants the party to adopt at the next General Election, the SDP parliamentary leader called for a combination of "toughness and tenderness" which would clearly distinguish it from its Conservative and Labour rivals.

Dr Owen emphasised that radical proposals for reforming and simplifying the tax system must be a priority objective in the next stage of policy formulation.

He suggested that current government policies were unlikely to lead to a sustained revival of the economy and warned that a programme of work sharing might have to be considered as a means of mitigating a situation in which the number of people unemployed was "morally unacceptable."

Dr Owen, whose central theme was the need to be frank and open about the party's aims, underlined the need to link together in the public mind the politics of prosperity and the politics of poverty so that they saw no incompatibility whatever in striving for efficiency as well as greater equity.

Dealing with the inadequacies of the present tax system, he declared: "We must take a careful look at redressing the balance of taxation be-

tween earners and owners, and especially the owners who spend heavily out of capital but do not invest."

"Capital taxes bring in barely £1bo a year, equal to roughly 1p in the pound in income tax. Less than half as much is raised by capital gains tax and estate duty as a decade ago. That goes some way towards explaining why the tax system has not done more to reduce inequalities."

Dr Owen said the SDP's task was to marry its proposed basic benefit (combining the principal means-tested benefits) with serious tax reform in a way which grappled with the problem of low pay by creating the reality of a minimum wage.

Such a development, he contended, would achieve more than would ever result from minimum wage legislation. He hoped it would be possible to convince both the Trades Union Congress and management bodies that it was the most constructive path.

Dr Owen identified the SDP's greatest weakness in the last general election campaign as its failure to convince the electorate that it

could deliver its pledge to cut unemployment.

He said that the lesson was that the SDP must define the social market economy more stringently. The key question is how do we promote competition and the efficient allocation of resources?

The SDP leader continued: "We must be the monopoly breakers, the cutters of regulations and bureaucracy that restrict consumer choice and add to unit costs." Dr Owen dismissed the Government's claim to have a competition policy by citing its refusal to allow the London Stock Exchange to be subjected to scrutiny.

He argued that more would be achieved through the liberalisation of telecommunications services than would be gained by the Government's plan to privatise British Telecom.

He believed that in addition to liberalisation, the granting of franchises offered great potential for improving efficiency within the state sector.

Dr Owen strongly restated the need to devise a permanent incomes policy and the case for establishing arbitration procedures and non-inflationary comparability mechanisms in public service monopolies.

On defence, he maintained that Prime Minister Margaret Thatcher's refusal to accede to demands that U.S. cruise missiles deployed in Britain should be subject to a "dual key" control system did not justify an automatic decision to reject them altogether.

Dr Owen was given a standing ovation.

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FOCUS ON SOUTH AFRICAN COMMERCE AND INDUSTRY

Trust Bank: a drive into the corporate sector

BY RICHARD ROLFE

In a further part of the series on South African commerce and industry, Richard Rolfe, editor of Finance Week, interviews members of general management of the Trust Bank.

Rolfe: Could you outline the problems and opportunities created by the changing and more competitive banking and financial services scene in South Africa?

Van Wyk: The partial abolition of exchange control and thrust towards a more market-orientated economy have created a lot more volatility in the financial markets, which means both threats and opportunities. The trend towards "unbundling" of services leads to more meaningful pricing and to combining the products of different institutions, e.g. building societies, banks and insurance companies. In this environment there is also increasing scope for combining short, medium and long-term facilities in the same package, whether domestic or off-shore.

There will be greater rewards for genuine innovation and for focussing more on service quality, particularly through electronic banking. Management efficiencies must also be improved. Payment of interest on current account balances, sharply escalating human resource costs and the cost of the capital equipment underpinning the electronic banking service for streamlining cost structures. Another opportunity is sharing expensive infrastructures, as in the United States.

The main problem is that the statutory framework lags behind. In South Africa, as in the U.S. and the U.K., legislation has not kept pace with change. There is the risk of indiscriminate price cutting: with so much focus these days on price in the financial system, we are not sure that is not going to create a problem of maintaining service standards. Also it is difficult for the market to get a clear view of the current great variety of products and combinations available, though this may be transitional.

Rolfe: What are the effects of abolishing exchange control for residents and non-residents?

GROUP PROFILE

Trust Bank is South Africa's fifth largest commercial bank. It has 267 branches throughout the Republic, four in SWA/Namibia and representative offices in London and Hong Kong.

Share capital and reserves amounted to R180m (£106m) at June 30 last, the group's latest financial year end. Total assets were R3,8bn (£2,2bn), total deposits were R2,8bn (£1,7bn).

Profitability has recovered strongly from a low point in the late 1970s. Disclosed profits in the last full year were R37m (£22m).

Trust Bank has always been strong in HP and leasing, and holds 15% of the South African market in these sectors. Last year, it was reclassified from a general bank to a commercial bank. The bank is currently moving strongly into the corporate market with a full range of sophisticated computer-based domestic and international services.

Trust Bank is a member of the Bankorp group which is, in turn, controlled by a major South African life insurer, Sanlam.

Van Wyk: Previous concessions to foreign-controlled companies have opened up more avenues for South African banks to grant loans and finance to such companies in South Africa. Another consequence, though not in the legal framework, is a freer approach towards approving borrowings by South African residents outside normal import/export finance. We have recently seen examples in property investment. Also on the Exchange Control front are the recent concessions to South African banks to invest more abroad.

Smith: The capacity of the banks to invest abroad opens up opportunities for us to regard the foreign money market as part of our total investment area, where we can invest our short term surpluses, which we have from time to time, or finance short term deficits. The gold mines will soon be paid in dollars for their gold delivered to the South African Reserve Bank, but must convert it back to rand within a period of seven days. This already opens up some opportunities for South African banks to take short-term dollar deposits from the gold mines. If the mines, and maybe other institutions, should perhaps in future obtain the right to invest in foreign deposits for longer periods, and with the banks also being allowed to hold more in foreign currency deposits, one could envisage a limited Johannesburg inter-bank market in foreign deposits.

For foreign investors disappearance of the financial rand, which previously improved the running yield of an investment, is somewhat of a negative factor. On the positive side, however, the risk of an increase in the financial rand discount between entry and exit has also now been removed.

The remaining uncertainty, the commercial rand exchange rate, is much less volatile. Some investors, especially the Germans, would also say approval is now much simpler to obtain for direct investment in South Africa — the old system had too much red tape.

Van Wyk: Yes, the number of things interfering with risk assessment has been reduced, along with bureaucratic interference. Non-residents now have almost unlimited access to and call from the financial markets. I think from the foreign investor's point of view that is probably the major change.

Wood: The message to foreign investors is that the South African government is showing its very clear commitment to greater participation by the private sector in the economy. There will be, in future, more freedom and less controls in general, not only in banking and not only in exchange control.

Rolfe: What plans does Trust Bank have for expansion of its international operations?



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Dr. Chris van Wyk,
managing director



Mr. Marius Smith,
senior GM, money market
and international services



Mr. Herbert Schultz,
London representative



Mr. Rob Wood,
GM, project finance

are for business information services, foreign exchange rate quotations, money market quotations, key market statistics or economic bulletins. This is the major thrust of our development. On the international side, we are already on SWIFT, as are all South African banks and a full profile of services can be expanded to our corporate customers.

Rolfe: What are Trust Bank's particular achievements in project finance?

Wood: We have acted as syndicate leader for a number of major projects. The first major breakthrough here was the total financing package which we developed for the Atlantis Diesel Engine Plant. This had a lot of innovative features which resulted in a meaningfully lower cost to Atlantis. Next we were awarded the largest portion of the lease financing for Sappi's R800m pulp and paper project at Ngadwana in the Eastern Transvaal, the largest private sector development in South Africa. We were able to achieve the major portion of the lease funding for this project in competition with a consortium of the other four major banks in South Africa.

We participate in syndicated loans for Escom and have arranged direct lendings in support of vendors of particular items of equipment. This financing totals well in excess of R400m. We also undertake joint ventures, and one recent agreement is with the Kwa Zulu Development Corporation where we have set up a joint venture intended to finance the small Zulu businesses.

When investment allowances are withdrawn in June 1985, there will instead be a higher initial allowance, which is considerably less advantageous than the present structure of allowances, but we don't see that this is going to slow down significantly the pace of industrial development in South Africa or the level of project finance. Enormous amounts have to be invested in capital intensive projects in relation to the size of the companies which tackle them. We expect new projects to continue, but there will have to be a lot more innovation in the mechanisms used in financing them.

Shorts updates missile

BY OUR BELFAST CORRESPONDENT

SHORT BROTHERS, the state-owned Belfast aerospace company, yesterday announced the development of an advanced version of its successful Blowpipe portable missile, to be known as Javelin. The British army is funding a development programme which is already underway.

The company said Javelin was designed to meet the changing needs of ground defence forces. In particular, it would be used against the type of armoured helicopter which is capable of launching attacks while hovering some distance from a target.

Like Blowpipe, which scored successes against Argentine aircraft during the Falklands war last year,

Javelin could also be used against high speed, fixed-wing aircraft. The main improvement is in the missile's guided system, which makes use of recent advances in video and microprocessing techniques.

Shorts said that Blowpipe, which is at present in use with 16 armed forces, would not be made redundant. Production of both systems would continue side by side.

Development of the missile is an important step for Short Brothers, which needs to maintain its missiles division to complement its aircraft and aircraft components businesses. The company did not disclose the cost of the development programme or the likely level of Javelin sales.



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APPOINTMENTS

Chloride Group finance director

Mr David Hankinson has been appointed director, finance and central services of CHLORIDE GROUP, from October 10 and will be appointed to the board on October 13. He joins Chloride from Wilkinson Sword Group where he is currently finance director. Prior to that he was group finance director of Guthrie Corp. He succeeds Mr Mike Sharman who will be leaving the group on September 30 to pursue his own business interests.

Sir David Nicholson has been elected president of the ASSOCIATION OF BRITISH CHAMBERS OF COMMERCE, in succession to Sir Monty Finniston. Sir David is chairman of BTR and of Rothmans International.

Mr Graeme S. Pentecost, at present the BANK OF NEW ZEALAND'S senior vice president and manager in New York has been appointed regional manager, UK and Europe of the Bank in London from October 10. Mr Gerald Scott the Bank's present regional manager is to retire on that date.

SWISS BANK CORP. INTERNATIONAL has made the following senior management appointments: Mr A. M. B. Large, managing director and chief executive, becomes chief executive and deputy chairman; Dr W. K. Schiek, managing director and joint chief executive, becomes deputy chairman; and Mr T. M. van der Beugel and Mr J. A. de Gier, executive directors, become the managing directors.

Mr Ben Strickland, a director of J. Henry Schroder Wagg & Co., has been appointed a director of SCHROEDERS from October 1.



Mr David Hankinson, finance and central services director, Chloride Group

From October 1978 to June 1982 he was chairman and chief executive of Schroder, Darling, merchant banks with offices in Sydney, Melbourne and Perth.

CATALYTIC INTERNATIONAL INC. has appointed Mr Brian Street as a non-executive director. He is chairman of Air Products.

The LIVE SERVICES GROUP, Harrow, has appointed Dr Ronald Ryda as managing director of Gateway Communications. Mr Christopher John Runsey has been appointed managing director of Live Services.

Two Humberside men have been appointed to the investment committee of THE RIDINGS UNIT TRUST, an unauthorised exempt unit trust set up by Lazard Brothers & Co. earlier this year to channel

pension and charity funds into a diversified portfolio of quoted and unquoted small companies situated in the Yorkshire and Humberside region. They are a solicitor and member of the Hull Junior Chamber of Commerce. Mr George E. Wright, and Mr David D. Osborne, managing director of the Beverley firm, Humberside Properties.

Mr Willy Watson, formerly commercial director of Transmilton's energy division, has been appointed marketing director of INFORMATION TRANSMISSION.

Mr Barry Smith, managing director of BOWMAKER (PLANT), Cannock, has stepped down as MD but will continue on the board until his retirement on September 30. With the agreement of Finning Tractor and Equipment Co., Vancouver, Bowmaker's new owners, Mr Bert Morton becomes managing director from that date. Mr Morton joined Bowmaker in 1955. In November 1979 he was appointed assistant managing director with responsibility for product support services.

Mr Peter R. Fielding, who until recently was managing director of ESAB UK, has joined the board of ENGINEERING AND WELDING SERVICES as marketing and development director.

Mr Robin Eyres has been appointed special projects director reporting to the board of INTERNATIONAL THOMSON ORGANISATION. Managing director of Thomson Directories for five years, he continues as a director of Thomson Information Services and will additionally

join the boards of several ITO subsidiary and associated companies. His project activities will cover the UK, Europe and the U.S.

Mr John E. Townsend has been co-opted to the board of the EAST SURREY BUILDING SOCIETY to fill the vacancy caused by the death of Mr J. H. Alley. Mr Townsend, MP for Bridlington, is vice-chairman of the Conservative backbench finance committee, founder chairman of the Merchant Vintners, and is an underwriter at Lloyd's.

Mr John Cochran, who retired on July 31 as deputy director general of the National Sports Council, has been appointed as a sports development consultant to the MODUS 2 GROUP OF COMPANIES, Bridgend.

Mr HMYD Lewis has been appointed executive director of the TEA COUNCIL. He will be responsible for the generic pro-



Mr HMYD Lewis, executive director of the Tea Council

motion and marketing of tea in the UK. He succeeds Mr Jim Munday who is joining the Meat Promotion Executive as its new director of meat promotion. Mr Lewis joins the Tea Council from a firm of management consultants; prior to this he was general marketing manager of Smedley HP Foods, part of Imperial Foods.

PALMER & HARVEY has appointed Mr John Chedzey, man-

aging director since 1970, as deputy chairman and managing director. Mr Philip Hudson becomes joint deputy managing director. He was previously marketing operations director.

Sir Peter Carey, formerly permanent secretary at the Department of Industry, will be joining the board of EPB INDUSTRIES as a non-executive director from September 28.

ROUTLEDGE & KEGAN PAUL has appointed Mr Philip Shurrock as group managing director from October 31. He is currently managing director of Pitman Books.

CURRY'S GROUP has appointed Mr Jeff Bengoa as a non-executive director. Among other appointments, he is a deputy chairman of National Westminster Bank, having retired as group chief executive of NatWest at the end of last year.

Mr D. Feenby, Mr K. D. Harding, Mr T. A. Nolley and Mr W. O'Farrell have been appointed to the board of DRAKE & CAREY (HOLDINGS). Mr J. B. R. Morris has been appointed vice-chairman.

Mr Donald M. Muirhead will be appointed president of the CONSUMER CREDIT ASSOCIATION of the United Kingdom at its fifth annual conference and annual meeting on September 1. He is chairman of Donald Malcolm Muirhead (Finance), Plymouth.

Mr A. E. McCracken, managing director of NICOL & ANDREW (LONDON), is to retire on September 30, though he will remain on the Board as a consultant. From October 1, Mr V. F. Davies becomes managing director. He joined Saville Tractors (an associate company) in July, 1972. He joined Nicol and Andrew as financial director and in April was appointed managing director designate.

HIGH-POINT SERVICES GROUP has appointed Dr Harold K. Goldstein as an executive director. He was a merchant banker for 13 years with Lehman Brothers, Kuhn Loeb, serving in New York, Paris and, as a director, in London.

CONTRACTS

IDC build £6m warehouse

IDA, Stratford upon Avon, has been awarded a £6m contract for the design and construction of IDC's national distribution centre at the Royal Berkshire Centre at Thatcham near Newbury. This new facility will become the central distribution operation for the bulk handling of all consumer products. The 13 month contract when completed will provide over 20,000 sq m of floor space.

A UK division of EMBART CORPORATION, Connecticut, has received a \$2.3m (£1.5m) order for tyre-making equipment for a Canton, China, tyre factory. The order was placed with Embart's Farrell Bridge unit in Rochdale, Lancashire, by the Dunlop Tyre Company which has been retained by China's Guangzhou Rubber Bureau to supply technology, plant and equipment to the modernised tyre plant. The machinery is expected to be installed in the spring of 1984.

The Maldstone-based combustion division of PEABODY HOLMES has received an order worth \$400,000 (£268,000) to supply burners and associated combustion equipment to the National Refinery, Pakistan. The contract was negotiated and placed, on behalf of the National Refinery, by Industrialexportimport of Rumania.

M. H. ROBERTSON (UK) has won a contract worth £214,000 to supply Formawall cladding and a glazing system to the Cleveland shopping centre in Middlesbrough. The materials will be used on an extension to the existing building. The Formawall panels will be fixed on to together with the glazing system. Some 1,500 square metres of Formawall have been specified by architects Bradburn, Rowe and Barker of Liverpool, for their clients the Legal and General Assurance Society. The company will also supply and fix the secondary steelwork to support the Formawall cladding.

HI-DRAW MACHINERY of Romsey, Hants. (in association with the Vaughn Division of Westinghouse of Pittsburgh, U.S.) have been awarded a multi-million dollar contract from the Goodrich Tire and Rubber Co., Akron, Ohio, for the supply of wire drawing machinery. All the machinery will be manufactured in the UK including electrical equipment comprising dc motors and thyristor converters with associated control gear. The machinery forms part of a green field site in North Carolina for the production of fine steel wire used in the manufacture of steel belted radial tyres.

HARRIS CORPORATION has been awarded a contract from Waterway Communications Systems, Inc. (WATERCOM), of Jeffersonville, Indiana, U.S., for the design, manufacture, construction and maintenance of a new marine telephone system covering more than 4,000 miles of inland waterways. Total value of the turnkey contract is estimated at \$12m. For the first time, a single telecommunications network will be available to commercial vessels on the Mississippi, Ohio and Illinois rivers and the Gulf Intracoastal Waterway providing them with automatic, direct-dial telephone service.

A new method of drinks packaging, developed by JOHN WADDINGTON, Leeds, will be used in the U.S. as a result of an agreement between Waddington and the plant U.S. brewing and packaging firm, Coors. The Adolp Coors Company of

Colorado will manufacture under licence the Waddington's "neck-line" multi-packaging system for bottles, launched earlier this year. Neckline is a form of packaging which holds two, three, four or six bottles together in a neat multipack at the neck of the bottle. It was developed to capitalise on the growing retail market for multipacks in supermarkets and off-licences. Its advantage over existing multipack cartons is that it holds the neck of the bottle, so displaying the product to its fullest benefit.

The Austin Rover Group has renewed contracts with MORSE FLEXON of Leichwood for the supply of timing-chain and tensioners for installation in Maestro 1300 and Metro cars. The contracts are worth £200,000 in a full year.

WESTCODE SEMICONDUCTORS has won a contract worth £1m for power transistors to be used in variable frequency, variable voltage, onboard inverters in rail cars designed for a rapid transit suburban rail system. The project is said to be the world's largest single application of very high-power transistors.

The International Maritime Satellite Organisation (Inmarsat) has awarded a U.S.\$215,000 contract aimed at studying certain technical aspects of providing aeronautical communications by way of the system. Inmarsat, the London-based organisation of 39 member countries, currently provides satellite communications to the worldwide shipping and offshore industries. The contract was awarded to DECCA ELECTRONICS in conjunction with MILLER COMMUNICATIONS SYSTEMS of Canada. The study encompasses the following topics: Propagation effects on aeronautical satellite links; antenna systems; modulation and coding methods; and overall aircraft earth station (avionics) integration.

The Maritime Satellite Organisation has already said that its new satellite system would include a capability for aeronautical satellite communications, for use by the aviation community if it so chose. The new satellites, which will replace the existing satellite system, are to be launched starting in 1985. A request for proposals from satellite suppliers was made public in early August. Deadline for receipt of tenders is April 1984.

BAJ/VICKERS has won a contract worth around £700,000 to supply adaptor valves (probes) to the Ministry of Defence over the next two years. The adaptor valve is used in connection with a high pressure gas cryogenic system and provides the means of rapid connection and disconnection for gas storage vessels to thermal imaging equipment used by the British Army. The valve will be used on night vision equipment for projects such as the Milan and tank system and the Challenger and Challenger tank systems.

IMI MARSTAIR, part of the Birmingham based IMI metals group, has won a contract to supply all room air conditioning equipment to the Department of the Environment over the next three years, mainly for overseas posts and embassies. The contract will be worth at least £730,000 over the period.

HALIFAX TOOL COMPANY, a member of the Marshalls Halifax Group has won an order worth about £150,000, to supply a Halco Varitor 586 water well drilling machine to the Sri Lanka National Water Supply and Drainage Board.

The bank that's helping Italy's liquid assets grow



Vineyards overlooking the Cantina Sociale di Santa Maria della Versa. The Cantina is a Cariplo customer.

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TECHNOLOGY

EDITED BY ALAN CANE

Camera innovations

IN THE PAST 20 years, when image recording processes have undergone a revolution, there has been such an obsession with the technology of film and video that the uses of the media have tended to be taken for granted.

It has taken Kodak, a company whose business is under serious attack from video, to demonstrate just how innovative camera users can be — not least of all when employing old-fashioned photo sensitive recording materials.

For over 12 years now, Kodak in UK has been running an annual photographic bursary scheme — making grants to an extraordinary variety of applicants who seek finance for unusual applications of photography. In the 1983 bursaries recently announced, a total of £10,000 was awarded in various amounts to seven successful applicants (from a field of 150).

Novel

Some of the ideas are not only novel, but socially extremely important. Thus the project from Mr Ronald Graham, a teacher in photographic sciences but, in his spare time, a microlite pilot. Mr Graham has won a Kodak bursary to adapt aerial photographic survey techniques so that they can be used in a tiny 250 cc microlite aircraft.

Conventional aerial surveying uses large and heavy cameras of 23 x 23 cm format in twin-engine, two crew aircraft. Mr Graham has now adapted the microlite to carry out acceptable aerial survey work with a 70 mm Hasselblad camera.

The social importance of this may at first seem insignificant. But many developing countries, for whom aerial survey work is crucial in exploiting natural resources, cannot easily afford conventional aircraft and highly trained crews. And even when they can, the areas where surveying is most needed will often lack airstrips and take-off space; but a microlite can, of course, minimise all of these problems.

Even more innovative is a system of medical illustration devised by a 34-year-old British subject, born in Thailand and now working at Bury St Edmund's hospital. Mr Sataporn Sakul has hit on an extremely simple yet realistic way of illustrating human organs in medi-

Video & Film

BY JOHN CHITTOCK

cal education. The internal parts of the body — or plastic reproductions of the organs — are photographed as 35 mm colour transparencies which are then projected on to a nude model in the correct position and re-photographed. The effect is quite stunning, three-dimensional, and potentially quite invaluable in the specialised field of medical illustration. Mr Sakul's submitted examples were executed at home — using his wife as a model — but he now has £2,000 to finance the work more seriously.

Invariably such applications stem from the enthusiasm of a lone photographer, pursuing an idea or even an ideal — such as Ms Frank Raffles, a freelance

"Some of the ideas are not only novel but socially extremely important"

from Edinburgh. Working with severely handicapped children, Ms Raffles realised that photography might provide for them a unique vehicle for self-expression — unavailable through painting, for example, because of the severity of their incapacity.

In making her submission for a grant, Ms Raffles prepared photographs of badly handicapped children using instant cameras. The pictures series told their own story. Children who could barely manage to hold a camera and press the button, suddenly — for the first time in their lives — were able to see something they had created for themselves; within seconds, undreamed of elation is realised as snapshots of their friends develop before their eyes.

Ms Raffles is now endeavouring to take the children farther down the road of photography, stretching their physical and

mental abilities into using simple 35 mm cameras.

Applied photography has been around at least since 1877 when Eadweard Muybridge used a photographic picture series (operated by trip wires) to settle a bet about the way a horse gallops. But video is coming along fast in a variety of applied situations — ranging from high speed movement analysis (ironically Kodak themselves have developed such a camera and use it in factory processes) to single frame by frame monitoring for security purposes.

Replacement

Such developments are adapted from photographic techniques and replace photographic emulsions. High speed movement analysis is difficult on film because the micro-second duration of the event is difficult to predict when "pressing the button"; on video, the recording can run continuously in a cycle of recording and erasing until the event happens. With time lapse security monitoring, 24 hours a day, film is expensive and not re-usable like videotape.

Nonetheless, it may take video 100 years to challenge the quality of work tackled by two other hirsute winners. Quite independently, each are using their grants to bring to public view important sets of historical negatives.

Mr Michael Gray is making facsimile cotypes from some of the 1,000-odd Fox Talbot negatives at Lacock Abbey of which some, surprisingly, have never been printed. And Ms Irene Rhodes, a photographer at the National Gallery, has discovered a large collection of 4 plate negatives in Hastings which she is now printing with the aid of her husband. These pictures were taken by a Mr George Woods, a 19th century stockbroker who photographed Hastings Harbour and beach with a style and atmosphere evocative of the famous Frank Sutcliffe, who immortalised Whitby.

Video cannot emulate such beauty. And in all probability, the videotapes of today will not be reproducible 100 years hence — because compatible technical facilities will not exist; if, indeed, the magnetic recordings would last that long anyway.

MATERIALS

Crucible analysis costs cut

A METALLIC sandwich material developed by Johnson Matthey Metals for the analysis crucible market will, it is claimed, reduce costs by between 30 and 50 per cent.

A recurring and considerable cost for laboratory and industrial analysis is the platinum crucible in which the material for analysis is contained.

Platinum is used because it is virtually inert and does not contaminate the analysed material. Furthermore, in a form developed by JMM some time ago called zirconia grain stabilised (ZGS), the metal offers high mechanical stability and high temperature strength.

Expensive

However, the metal is expensive and since it is only the outside layers that are in contact with the crucible contents, JMM decided to develop a sandwich composition with ZGS platinum outer layers each 25 per cent of the total thickness. The remaining 50 per cent consists of the generally similar but much cheaper metal, palladium. The sandwich material is called TriM.

The outer layers of ZGS platinum retain their inherent advantages of strength at high temperatures, resistance to grain growth and "creep" of the metal, and resistance to progressive contamination.

The core material, palladium, is a member of the platinum group of metals and has metallurgical characteristics completely compatible with platinum.

Stress

Stress and rupture values of TriM are said to be excellent and it has been used successfully at temperatures up to 1300°C.

The company says that in terms of scrap recovery, the metal recovered from two platinum crucibles when sent back to JMM's precious metals recovery department will approximately cover the cost of three replacement TriM crucibles of an equivalent size. More on 01-02 8864.

GEOFFREY CHARLISH

EIGHT NATION METEOROLOGICAL SATELLITE PLAN

Jumbo weather watchers

BY ELAINE WILLIAMS

BEFORE THE end of the decade many of the world's wide bodied jets may carry computers which gather weather data. Today the World Meteorological Organisation in Geneva is to sign a contract with a British company to turn prototype equipment into a commercial product.

Eight countries are participating in the project which is hoped will improve weather forecasts around the world and save airlines' fuel by planning routes to avoid the full effects of bad weather.

CEC McMichael, part of the GEC group, won the contract worth about U.S.\$500,000, against competition from three U.S. companies including the giant Bendix corporation and TeleDyne.

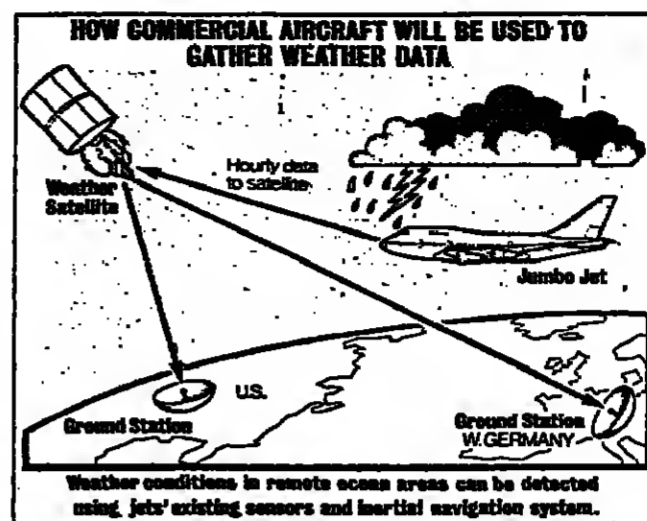
The Aircraft to Satellite Data Relay (ASDAR) project will automatically collect data on weather conditions in the upper atmosphere and transmit information to the meteorological satellites circling the earth. Plans are to use the system on Boeing 747s and DC10 initially.

In essence, the ASDAR system consists of a small on-board computer which takes information from the aircraft's own inertial navigation guidance system. This has data on wind speed in the upper atmosphere, temperature, altitude and the location of the aeroplane as the weather observations are made.

This information is relayed automatically at hourly intervals to the weather stations via one of four satellites. Two are U.S. such as Meteorat, one is Japanese and the other is European. The ASDAR processor collects information every seven and a half minutes and transmits the information in batches of eight. Happily, it is possible to transmit messages to all satellites using the same frequency.

Approximately £750,000 has been raised in funds from the eight countries participating in the ASDAR project. The UK, the U.S. and Saudi Arabia are the main contributors to the project. Others funding are Canada, Australia, New Zealand, the Netherlands and West Germany.

Within two years the ASDAR system will be turned into a commercial system and by 1986 about 50 units should be operating on airlines' jets. Mr Jim Graytys at the World Meteor-



logical Organisation in Geneva commented that the aim would be to have more than 200 wide-bodied jets linked into the system. British Airways carried one of the experimental systems and British Caledonian, TWA and United Airlines are all willing to participate in the next phase.

The ASDAR project started officially in 1981 after initial work which started more than a decade ago. The World Meteorological Office used Nasa technology for the prototype system and 18 units were built to prove the techniques. Mr Graytys said that at one point eight international airlines had trial systems on board their aircraft.

The benefits of the ASDAR system, said Mr Graytys, was the ability to receive automatic information about weather conditions in the upper atmosphere. Neither the pilot or his crew need do anything during the flight.

Such information would give more reliable and more frequent data on upper atmosphere conditions. Today such information is usually gathered by sending up balloons equipped with expensive radio sondes. At most two such observations can be made during the day, and none at all are used over large areas of oceans — where aircraft tend to have their routes.

Mr Graytys said that there was also added benefits for airlines in that the system could be used for take-off and landing, and for plotting optimum long distance routes to reduce air-

craft fuel consumption. Another possible use of the system could be for emergencies to help locate off-course or missing planes such as the recent Korean Air Lines disaster. Because the ASDAR system automatically transmits every hour it would be possible to give a more accurate idea of the plane's position before disappearance.

Mr Graytys, however, said that there were certain barriers to the system's use in distress. There is no infrastructure to alert authorities about possible disasters and weather satellite ground station operators are reluctant to take on such responsibilities without a suitable reporting network. Though this application has been discussed for three or four years, and despite the U.S. Air Force's enthusiasm, no progress has been made and shows no signs of doing so.

The main aim though, is to improve weather reporting. Pilots already give verbal reports and are an important input to the world meteorological data base. However, such reports are only available at standard longitudes and are subject to long delay — up to 12 hours — because of manual processing.

When operational the new system takes information in two ways: every seven and a half minutes during high altitude cruising but at a much smaller interval during take-off and landing when an aircraft can experience considerable atmospheric changes.



Vision Market growth

THE MARKET for intelligent industrial vision systems will grow tenfold in the 1983-87 period to about \$500m (constant dollars), according to a report from Frost and Sullivan, the market research company.

The report covers only intelligent systems and so excludes straightforward imaging systems: optical digitisers, scanners and character readers — themselves a considerable market.

Robotics applications will account for much of the growth, says F&S, as in this area jumping to 26 per cent from only 10 per cent last year. Meanwhile, inspection and measurement uses will drop from 50 to 35 per cent. The share of the third major application area, part identification, will rise slightly from 30 to 35 per cent.

U.S. market leaders in 1982 were General Electric of the USA, View Engineering, Diffracto and Antomix. More from London office on 01-486 8377.

Machines

Faster tool changes

MACHINE TOOLS makers are showing new vigour in attacking the chief limitation to productivity in their products — tool changing and material handling time.

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THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Caution among the bankers

Tim Dickson reports on why many applicants for guaranteed loans are finding that stricter lending criteria are being adopted

SIGNS are emerging that one of the Government's key measures for boosting smaller businesses is still not working properly.

Ministers and officials at the Department of Trade and Industry believe that a significant number of companies with good propositions applying funds under the Loan Guarantee Scheme have recently been turned down because the banks are adopting stricter lending criteria.

Head office bankers admit that branches may have tightened up their guidelines in the last few months, but they are also adamant that their managers are now administering the scheme responsibly and fairly.

These developments are taking place just when the accounting firm Robson Rhodes, author of a report published earlier this year on the first 50 failures under the Loan Guarantee Scheme, is embarking on an important new study for the Department of Industry. Although not yet officially announced, the exercise is likely to concentrate on a bigger and more representative sample of companies (probably 100 survivors and 50 failures), together with a separate telephone survey of other participants. The findings should form the basis later this year for key decisions on the long term future of the scheme.

Set up in June 1981 the Loan Guarantee Scheme is still officially at an experimental stage, with the "pilot" phase due to end in the middle of next year. The objective has broadly been to increase the flow of money into the banking system to viable small businesses by offering Government guarantees on 80 per cent of "approved" loans from 30 major lending institutions. In return a 3 per cent premium is paid by the borrower on the guaranteed portion. This, of course, is in addition to the banks' own margins — anything, among the major banks from an extra 14 per cent at the Co-op Bank to 24 per cent at Barclays and Midland.

In spite of the high cost of the funds, the response from borrowers has been far greater than expected and the Government ceiling on the scheme has repeatedly had to be raised (following the allocation of a further £300m in March it now



EARLIER this year the Government launched a major advertising campaign to promote more widely the many measures which have been introduced to help small businesses. The campaign, however, had to be cut short when the General Election was announced and £0.5m of the budget remains unspent. While officials at the Department of Trade and Industry are currently assessing the impact of the advertising so far, several new developments are already emerging as this, the first in an occasional series on major Government schemes, indicates. Areas will include the Small Engineering Firms Investment Scheme, the Business Expansion Scheme and the Support for Innovation programmes.

stands at £600m).

Latest figures from the DTI show that between June 1981 and the end of last month, a total of 11,840 guarantees was approved to a value of £390.4m. Demand may have tailed off marginally, but interest in the scheme is still intense and, since June, applications appear to have been running consistently at about 500 to 600 a month.

Success, however, will not be measured by numbers alone and among major causes of concern have been the way some managers were administering the scheme and the apparently high failure rates of the businesses being backed. The earlier Robson Rhodes reports drew attention to certain deficiencies—such as inadequate monitoring and irresponsibly high debt to equity ratios and predicted, albeit tentatively, that as many as one in five of companies receiving loan guarantees could go under. Latest official figures show that claims

made to the DTI against losses exceeded premium income by about £17m.

Earlier this year, however, the government's major worry appeared to be the possibility that individual applicants with substantial personal resources had shown insufficient commitment to their projects. In March the then Minister with responsibility for small firms, John MacGregor, urged banks to take full account of this "though he also stressed that the total ban on the taking of personal assets or guarantees as security for Scheme loans is to stay."

Anxiety about their mounting losses, plus MacGregor's warning appear to have influenced the banks to change their policy towards new borrowers. The question is have they gone too far?

Anecdotal evidence from the DTI's 12 Small Firm Centres suggests that loans in some areas are being offered to borrowers if they agree to take

out a normal commercial facility as well (and provide adequate security at the same time).

This idea of using the Scheme to "top up" a package of lending was encouraged by Robson Rhodes and seems to have been widely adopted by the major banks. But the DTI is anxious that managers should not forget that the scheme's main purpose is to fund good business ideas from businesses without a track record or security without adequate security.

Senior bankers, meanwhile, insist that branch managers now have a much better grasp of how and when to use the scheme. "The case is different," admits John Kirkwood, small and medium business financial adviser at Lloyds, "but there are certain guidelines which our managers are applying. We are certainly looking for commitment on behalf of the borrower, but this doesn't just mean cash or security. We are also trying to avoid encouraging businesses which have too high a debt to equity ratio and we are paying much more attention to monitoring loans."

Kirkwood, moreover, points out that the purpose of the scheme is to provide "additional" lending from the banking system. He cites a recent case of a customer who had agreed to borrow money using his mother's house as security.

"When the mother heard about the Loan Guarantee Scheme, she kicked up a hell of a fuss and said 'The Government can take the risk, not me.' That was in spite of the fact that the original loan was cheaper than the Loan Guarantee alternative. If the manager in question had bowed to the pressure I do not think this could have been called 'additional' lending."

Barry Baldwin, national spokesman for the Union of Independent Companies and a keen supporter of the loan guarantee concept, welcomes the decision of banks to tighten up their guidelines. "What always worried us was that the high level of failures would encourage the Government to keep the premium at 3 per cent. If there are fewer failures to finance the premium should be reduced to 1 per cent and the banks themselves should lower their margins below what they charge fully commercial borrowers."

PSST! Fancy investing in a "corporate clone"? Or perhaps even working for one?

If Daniel Montano, enthusiastic senior vice-president of a small American securities house has his way, you could get your chance in the next few months.

Montano, head of corporate finance at California-based First Wilshire Securities Management, has spent much of the past year investigating investment opportunities in Britain. But in particular his mind has been busy on the bright idea of using the Government's Business Expansion Scheme — a highly attractive tax shelter for highly paid individuals — to finance and establish new UK-based European operations for small and medium-sized Californian companies.

These "corporate clones," as he dubs them, will be separate "stand alone" businesses doing their own selling, marketing and manufacturing and (in order to qualify for the Business Expansion Scheme) a majority of their shares will be owned by UK investors. But as Montano emphasises, "they will not be pure start ups. All the proven technology, engineering and marketing expertise in the Californian companies will be at the disposal of their UK offspring."

"Technology transfer" has been a fashionable concept on both sides of the Atlantic for some time. But, while there are naturally risks with the Montano approach his plan for a phased programme of Californian "clones"—financed by the Business Expansion Scheme

Tax shelter inspires Californian 'clones'

rather than venture capital funds—is at least novel and certainly ambitious.

His first guinea pig—Datapower Inc of Santa Ana, California—is already lined up to test the market and, in time honoured West Coast style, a chief executive eager to get a piece of the equity "has been hired to mastermind the new UK operation. This will probably be based somewhere in the Thames Valley. He is Bill Trevitt, ex U.S. air force weapons engineer and former chief executive of Air Industries Corporation of California.

Datapower Inc was set up in 1969 but changed hands two years ago when the current chairman, Frederick McKee, took a controlling stake. Its main business is the design and manufacture of power supplies—electronic subsystems which convert alternating current into direct current and which are used by original equipment manufacturers (OEMs) in computers and computer peripherals.

Although results over the past few months have improved, the company's fortunes in recent years have been mixed. Net revenue for the year to end March, for example, were 6 per cent lower at \$8.9m, pitching Datapower from a small profit into a near \$350,000 net loss.

to be refinanced earlier this year, albeit with an imaginative funding package. Significantly, some of the proceeds came from individual investors expecting to qualify for tax relief under the Business Expansion Scheme.

Meanwhile, for the UK Datapower operation, much will depend on the team of engineers and salesmen hired to run it. For though the Californian company is developing a new product it hopes will prove to be a winner, the power supplies from which it derives the vast majority of its income at the moment contain no technological breakthrough. Although it believes they are better and cheaper than the competition, Datapower's performance, like many small companies, rests largely on its ability to offer customers a fast and efficient service.

Marketing the issue is another hurdle which Montano is well aware has to be jumped. "Tax shelters" are sold as aggressively as baked beans in the U.S. but, the success of a couple of managed funds aside, promoting the Business Expansion Scheme is still proving a hard slog. Approaches by First Wilshire to a couple of blue blooded British financial institutions, Montano admits, ended in a quagmire of indecision. "I think some of them were put off by our plan to reserve about 10 per cent of the shares for the managers. This is a very important part of the motivation. If you want companies to succeed, it's no use hiring pacifists."

Tim Dickson

Profile of the female entrepreneur

HOW LONG will Britain continue to turn its back on the job and wealth creating potential of half the population?

This is the provocative challenge of Manchester Business School researchers Jean and David Watkins, joint authors of a new paper highlighting the obstacles facing female entrepreneurs.

Evidence for the Watkins findings—which were presented at the recent National Small Firms Policy and Research Conference in Durham—is based on a survey of 49 successful independent businesses in the UK run by women. Comparing the sample with a similar group of male entrepreneurs they found that, like men, women are often influenced by their parents to establish their own business, but that, unlike men, they tend to be relatively young at the "start up"

stage, to have suffered from an education which they considered largely irrelevant to their job, and to have enjoyed little previous managerial experience in their earlier careers.

Moreover, whereas most of the men interviewed had chosen self-employed occupations related to their academic qualifications or previous career, the decision of women to go it alone was generally "determined not by logic but because of a strong motivation to autonomy and achievement, which had been frustrated by the individual's prior training and background."

The Watkins argue that these differences are often not appreciated, particularly by those running and organising the many university and polytechnic based New Enterprise Programmes and Small

Business Courses up and down the country. Indeed, much to the researchers' surprise

lack of business training (even finance/accountancy skills) was the area of concern most frequently cited by the women in the sample. The authors suggest that the present criteria for joining these programmes, their content, and the way they are structured are likely to discourage or disempower potential female entrepreneurs.

They conclude: "Over the past few years there has been a substantial growth (in the UK) in the number of management programmes aimed exclusively at women. How long will it be before specific training for female owner-managers becomes the accepted norm here that it is in the USA?"

T.D.

In brief

THE London Business School is starting its ninth New Enterprise Programme on November 14 with further programmes planned for January and February next year. The courses combine a four-week residential session with a 10- to 12-week project. Details from Miss Sue Coan, London Business School, Sussex Place, Regent's Park, London NW1 4SA.

"TELEPHONE BILLING" is the theme of a forthcoming business lunch organised for September 21, by the Northamptonshire Chamber of Commerce and Industry. A British Telecom representative will be on hand to discuss disputed bills, the metering of calls and action to take to keep telephone costs down. Details from Mrs Sheena Harland of NCICI, on Northampton 22422.

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Special Report No. 105 (Updated to March 1983)

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London American Energy N.V.

Notice to Shareholders

A distribution of \$120 per share and a dividend of \$30 per share was approved by the Directors of the Company on 9th September 1983 and is payable on 18th November 1983.

Payment of distributions on registered share will be made in dollars to or to the order of the holders of record on 8th November 1983.

Payment of distributions on bearer shares will be made in dollars by cheque or by transfer to an account maintained by the payee with a bank in New York City against presentation of coupon numbers 5 and 6 respectively at the offices of J. Henry Schroder Bank & Trust Company, One State Street, New York 10015 or Banque Générale du Luxembourg S.A., 14 Rue Aldringen, Luxembourg.

London American Energy N.V.
12th September 1983

COMPANY NOTICES



BEARER DEPOSITARY RECEIPTS

Following the DIVIDEND DECLARATION by the Company on 14 July 1983, NOTICE is now given that the following DISTRIBUTION will become payable on or after 14 September 1983.

Gross Distribution per Unit 1,500 cents
Less 15% USA Withholding Tax 0.225 cents

Converted at 1.505 = 1.275 cents = £0.00847174

Claims should be lodged with the DEPOSITARY: National Westminster Bank PLC, Stock Office Services, 3rd Floor, 20 Old Broad Street, London EC2N 1EJ on special forms obtainable from that office.

United Kingdom Banks and Members of The Stock Exchange should mark payment of the dividend in the appropriate square on the back of the certificate.

All other claimants must complete the special form and present this at the above address together with the certificate(s) for marking by the National Westminster Bank PLC. Postal applications cannot be accepted.

Date: 13 September 1983

CANON INC.

NOTICE IS HEREBY GIVEN that the Transfer Books and Registers of Members of the following Companies will be closed for the purpose of ascertaining those persons entitled to attend the Annual General Meetings of Members thereof.

The New shares will be allotted to shareholders appearing on the Share Register as of close of business on 20th June 1983 in the ratio of 0.1 of 45 new shares for every 45 old shares and will rank equal to outstanding shares.

Members of the following Companies should apply to the Transfer Agents for the issue of new shares to be issued to them.

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ANGLOVAAL GROUP

GROUP COMPANIES CLOSING OF TRANSFER BOOKS AND REGISTERS OF MEMBERS

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LEGAL NOTICES

IN THE SUPREME COURT OF CIVIL JURISDICTION

1983: NO. 148

IN THE MATTER OF THE COMPANIES (WINDING-UP) ACT, 1977

NOTICE IS HEREBY GIVEN that the

of the above-named Company

is being wound-up by order of the Court.

The Liquidator is Mr. J. H. Kempster, of the firm of Messrs. J. H. Kempster & Co., 10, Abchurch Lane, London EC4N 3DF.

He is authorised to accept the assignment of the assets of the Company and to distribute the proceeds thereof to the creditors of the Company in accordance with the provisions of the Act of 1977.

Dated the 13th day of September 1983.

J. H. KEMPSTER, Liquidator.

By Order of the Court.

JOHN H. KEMPSTER, Liquidator.

IN THE SUPREME COURT OF CIVIL JURISDICTION

1983: NO. 149

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Dated the 13th day of September 1983.

J. H. KEMPSTER, Liquidator.

By Order of the Court.

JOHN H. KEMPSTER, Liquidator.

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THE ARTS

Art/William Packer

Autumn term in London

An exhibition of the work of John Carter filled the galleries of the Warwick Art Trust in midsummer, and sadly it has turned out to be the last of the distinguished one-man shows, according to the London programme, that Bryan Robertson has put on there in his role as consultant director. In the event he could hardly have contrived more appropriate a final ring, for here he was presenting an artist in mid-career in a show that was beautiful, stimulating, judiciously retrospective and even mildly controversial—certainly it reduced the panel of the day on the BBC's Critics' Forum, by three to one, to patronising and at moments hostile incomprehension.

The enduring power of modern art, most especially of abstract art, to shock, remains as astonishing in our Society as the arrogance of the generality of the educated, in the face of whatever is beyond the scope of a literary interpretation, or their own immediate competence, to judge. To take a liberty with Descartes, I think, therefore of course I understand. Here we are, in the age of Match of the Day, and Inter-city, and the Guardian's Women's Page; and it is as though Matisse were a West-Beast yet, and Mondrian and Brancusi, with their delicate intervals and exquisitely refined simplicities, a danger to traffic.

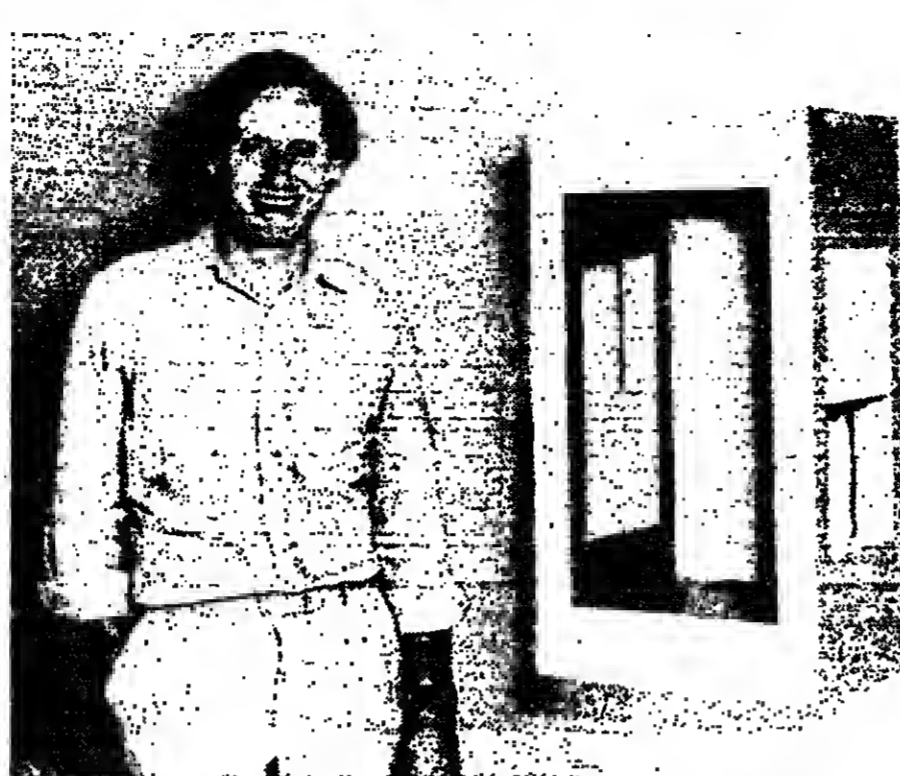
It is all as odd as it is interesting and familiar; and I only bring up the subject now because Carter happens to be enjoying another London outing, this time at his dealer's gallery in Cork Street (Nicola Jacobs—until October 1). His work places him firmly and obviously in the constructivist tradition, which was never itself so severe, arid and difficult as too many still suppose; for though some of our latterday minimalists may occasionally have taken themselves a shade too seriously there has never been anything in that tradition that necessarily should victimise a certain visual wit, high spirits or intellectual spirit; nor does economy of means or statement shut out the possibility of physical beauty on the one hand and richness and complexity of association and experience on the other.

Carter occupies the Debatable Land between painting and sculpture, for though his painted reliefs are manifest ob-

jects, displacing real space and beautifully made, they deal quite as much with the essential ambiguities that must intrigue all painters: what is real and what is not, and how something that shares the space this side of the wall with the viewer may at once suggest another space, quite else and contradictory. He conducts this visual debate with an admirable economy, punctuated by craftsmanship and an elegant allusive wit. If latterly the refinement has been ever more extreme and uncompromising (this show is only of his most recent work), the wit has always saved the work from any reduction to the impersonal or inaccessible. In dealing with the conceptual realities of space, geometry and proportion, it might well be that the work should consist only in the simple comparison of volume or area, or in the manner of the constant and thus the demonstration of an empty space; and yet the more fugitive the image, the more highly charged it is in the imagination.

The last we see of the Cheshire Cat is his smile: but Carter is not so ruthless and inexorable a reductionist, and the clear signs are that he is moving back towards something more physically complex and conceptually ambiguous. All his pieces are possessed of a certain curious metaphysical quality quite apart from their immediate concerns, the framed projecting rectangle as it were a physical detail in a de Chirico tower; but how much more so are the newest boxes, the double cubes that lead us in to their questionable and strange interiors. They are peculiar and beautiful things, each a singular realisation of an idea, and a visible, if equivocal fact. So Carter is not so much a reductionist as an inducer in themselves, they sharpen and refine our own physical perceptions of all those other, similar spaces we too occupy and fill.

Downstairs in the smaller gallery, meanwhile, is an interim show of work by Anthony Whishaw, quietly suggestive abstractions upon landscape and still life—these last unexpectedly redolent of Braque—that though they presumably relate to actual or forthcoming larger paintings, are more than substantial enough as they are. This is not the kind of show, however, to discuss at length, but rather quite literally to notice as we look forward to a fuller exposition.



John Carter with "Painted Structure: Vertical Squares"

tion. Whishaw once described the visual sensation of his work, that he tries to fix in his work, as being rather like walking through a wood, with twigs and leaves brushing and flicking past the face, and flies and insects dancing in the flickering light at the very edge of one's vision.

We should not take that, of course, as a firm and comprehensive commitment that would explain all the work; but to take up the hint of landscape, particularly the enclosed and closer spaces of a wood that are themselves so like the spaces and relations within the still life and the studio interior, is fair enough. Whishaw is the subtlest and least assertive of our abstract painters, an artist who, after a long time rather out of sight, has in recent years hit upon the most fruitful period of his career. Even so, he is still much underrated.

A little up the road, at the Waddington Galleries (also until October 1), a painter somewhat less retiring, Patrick

Heron has never been anything less than wholehearted in his commitment to abstraction, and his particular involvement with colour has always ensured a high degree of visibility for his work. To say as much is not intended as a gibe at all, for one of Heron's most engaging characteristics has been just that wholeheartedness, a preparedness to commit himself through his work in full public view. He is an important figure, by both practical example and published writing, one of the first apologists for the New York School and later one of its earliest and most prescient critics, always ready most vigorously to champion the artist's cause.

But his own work in recent years has seemed somehow to have slowed down in its development, trapped by its declared formulae, grown predictable and oddly unadventurous. The particular preoccupation with the intense experience of colour has frozen the imagery, deadened the surface and stifled the space; which was not the point at all.

All the more welcome, therefore, is this latest batch of paintings, which show quite clearly that he can indeed get out. The shift is not enormous, for they come from the same studio still, the imagery and composition apparently unchanged; and yet the differences are crucial. The banding is now freer and looser, at once more painterly and more graphic, and though there has been no sacrifice in the quality of the colour, the effect is to reanimate the entire surface. And more important still, perhaps, is the reintroduction of a figured image, one that echoes the profile of the fat coloured shape upon the canvas, but now laid with a graphic gesture across the group to disrupt and contradict that shape, immediately conjures out of the painted surface the inevitable illusion of that deeper, imaginative, pictorial space. In returning from perhaps too theoretical to truer and certainly more direct an expression, Heron has reached a point from which he can move in any direction he likes.

Alvin Lucier/ICA

Dominic Gill

Alvin Lucier (born 1931) is one of the four American composers who came together in 1961 to found the performing group called Sonic Arts Union (the others were Gordon Mumma, Robert Ashley and David Behrman). Like the other members of the group, Lucier found, and continues to find, his inspiration in the apparatus of electronic technology. Oscillators, ring modulators, gadgets, special circuits are his chief instruments; and through them he is mainly concerned with exploring, by all manner of different routes, the relationships of sound to its environment—the way, for example, a particular sound may behave in a particular acoustic, and its peculiar identity: the "signature" of place, space, person, voice, instrument, object.

A detailed description of a work of Lucier's can sound more like a scientific research project than (in the traditional sense) a "work of art." But though he is a scientist with the heart of an artist, who takes care to present the results of his researches in an artistically pleasing as well as an intellectually stimulating form. The distinction is not in any case useful: he is a poet of technology.

The fact also of sound itself, as well as facts about sounds, has special importance for him. And in this respect Lucier is at one with the whole tradition of American experimental music—which virtually since Charles Ives, and more concretely since John Cage, has sought to demonstrate in one way or another the poetry of physical fact: the impact, in its irreducible essence, of the sounds of every day, and in particular those of our new and complex environment.

I have listened to many refrigerators. There is often a flickering between the sixth and seventh harmonic. Once, while in the process of drinking Ouzo with David, Bob and Orville, a refrigerator harmonised out to surround my head with circles, ellipses and figure-eights.

Thus the American composer Pauline Oliveros, writing in *Sonic* magazine, who remembers in the same article how, in New York, "Terry Riley led me 15 blocks out of our way to hear a building ventilator." There is excitement in sound, even though that excitement may be elusive or quickly pass. Oliveros's music, like Lucier's, like Cage's, in their different ways, is about living at a certain pitch of childlike intensity; think dully, feel dully, and it's gone.

Lucier's short concert at the ICA on Sunday evening—the last of Adrian Jack's now well-established but unfortunately short—sightly threatened our current Musica series—was too short, and sadly without any of the composer's own verbal introduction, which had so enchanted me in the same building 10 years ago. You either get with, and into, this kind of thing, or you don't; and the cramped Upper Gallery of the ICA was not the ideal space or place for Lucier's gentle magic to work more than fitfully.

I could imagine the impact of *Sonic* in another context: tiny sound-chips from the long-sphere, which surrounds our earth like an invisible cocoon, patiently recorded, themselves only the tiniest fragments of the frenetic activity of the universe. Or of *Musica* for Pure Voices, *Bass* Drums and Acoustic Pendulums—thoughtful, peaceful celebration of natural processes: recalling, natural random rhythms, tap-drops, rain on the roof, a branch lapping against a window-pane. The concert finished too soon, a regret. But if Musica finishes now, then nothing is likely to take its place—and that, for London, would be a tragedy.

Nash Ensemble/Wigmore Hall

David Murray

Every month until February, the Nash Ensemble is to give a concert devoted to Czech music, usually with a recent British piece included too. There will be Dvorak every time, and Smetana and Janáček will be represented twice each; seven other Czechs (including, surprisingly, Hummel, who turns out to have been born in Bratislava) get single hearings. Thus Zdenek Fibich and Josef Bohuslav Foerster, who graced the opening concert on Sunday night, the one with a piano trio and the other with a set of songs.

The prolific Fibich (1850-1900—at least his dates are memorable) may yet enjoy a Western revival, especially if a pianist, such as David Odén, should take up his charming, highly personal cycles of

miniatures. His earlier music, like this F minor Piano Trio, is firmly in the Schumann tradition. Later Fibich chamber music gives more even-handed treatment to the players; the Trio is dominated by its busy piano (here, the excellent Jan Brown), with violin and cello riding the storm with romantic tunes, often in unison. Another once or two of sheer tone from Marica Crayford's reliable violin would have helped.

The genuine warmth of Fibich's music was unmistakable anyway, with Christopher van Kampen's cello making as broad and stylish a contribution as later in Dvorak's expensive A major Piano Quintet. That was performed with any amount of enthusiasm and flair; the team was combed by David Odén and Roger Chase, both of whom

shone in individual moments.

The flautist Judith Pearce offered another welcome chance to hear Nicholas Maw's recent *Night Thoughts*, a cunningly wayward, lyrical solo piece on a substantial scale. Miss Pearce's flowing cantilena seemed even more seamless than in the original performance. Jill Gomez applied her great communicative skills to Foerster's Three Songs op. 85, music of elevated melancholy which at first hearing might have sounded appealing but diffuse; Miss Gomez's astute shaping of each song ensured much more vivid impressions. She conveyed the dramatic points of Dvorak's "Im Volkston" songs, op. 73, with no less precision and some glancing wit. This new Nash series promises to be altogether as rewarding as their past ones.

Zoltán Kocsis/Wigmore Hall

David Murray

After Kocsis' sensitive but terribly restrained Mozart playing with the little Franz Liszt Chamber Orchestra at Thursday's Prom, it was satisfying to hear him at full stretch on Saturday. Though he began with something quite crazy: his own transcription from *Porsifort* of the hero's arrival in Act 2, the Blumenmädchen chorus and Kundry's appearance, and then—after a catalogue of the chief leitmotifs—the closing pages of the whole opera. I diagnose this as a case of youthful Hungarian Parsifalomania (Kocsis is 31 but doesn't look it), not to be encouraged on the concert platform.

At least the playing was devoted and powerful, and in historical terms these gory chunks introduced the rest of the programme very aptly—early Liszt, Debussy and the Brahms 7 minor Sonata. Kocsis gave us not only the familiar Debussy *Estampes* but the recently published "Images

oublies" of 1894 (Livia Rev introduced them in this hall a few years ago). They include the unversion of the *Four Leçons de choses*, which Kocsis thoughtfully offered as an encore, and a remoter cousin of the piece that eventually settled down in *Estampes* as "Jardins sous la pluie". Beautifully concentrated and very rich in piano-colour, Kocsis' style lacked only the steady pulse that should ground the elaborations of "Pagodes" and "Soirée dans Grenade" as well as the *Sarabande*.

It was in any case persuasively vivid, and with the Brahms Sonata Kocsis struck a vein of self-identifying conviction that brooked no argument. If he didn't reveal the mature depths that Elisabeth Leonskaja has lately found in the Andante and the *Rückblick*, he reminded us that the 20-year-old composer was a grandly stormy pianist. This was a performance of most intelligent balance—the outside structure of the Sonata is difficult—but also one of magnificent sweep and blazing fervour.

'From Dixieland to Swing' at the Elizabeth Hall

Fifteen of Britain's leading jazz musicians will be appearing at the Queen Elizabeth Hall on Saturday, October 8, in the second of Michael Webber's "From Dixieland to Swing"

concerts. They will be contained in the Roy Williams Septet and the Dave Shepherd Octet. The two groups will play separately then get together for the final session of the concert which will be devoted to the music of Count Basie and Lionel Hampton. Tickets are on sale at the Royal Festival Hall box office.

Ballet/David Vaughan

The Kirov in Leningrad

To see a performance at the Kirov, formerly Mariyusky Theatre, with its elegant blue, gold, and silver interior, is a deeply moving experience, for this is the stage where Pavlova, Karsavina and Nijinsky, Fokine and Balanchine all made their debuts, and where *The Sleeping Beauty* had its premiere.

It must be admitted that what one sees on that stage today does not always measure up to the glories of the past. The greatest star of the Kirov Ballet, to judge by what I saw during the 200th anniversary season, is the corps de ballet—as the Willis in Giselle and in the white act of Swan Lake. The excellent Act IV, which preserves the Ivanov choreography, with six black cygnets weaving among the lines of white swans. But Irina Kolpakova's Giselle was disappointingly routine, and Galina Merzentseva's Odette-Odile emotionally self-indulgent and technically

hittite. The Kirov *Sleeping Beauty* is now given in a dismayingly corrupt choreographic text, particularly the Prologue, Marius Petipa's masterpiece—the fairies have no cavaliers, the Lilac Fairy enters through a trapdoor to the wrong music, and a vision of the Princess Aurora, in the person of a little girl, pops up through another trapdoor to illustrate Carabosse's curse. It was reassuring to learn that Oleg Vinogradov, the company's director, intends to mount a new production in which the original choreography would be restored as far as possible—even including some of the mime.

One of the most troublesome things to contend with is the erratic musical tempo. Some sections, most notably the first act, are excessively slow; the White Cat and Puss in Boots number sounded like a 78 record played at 33 RPM), and others, like the Mazurka in *Swan Lake*, so fast that the dancers can hardly keep up. In spite of such musical vagaries, the Kirov performance of *Chopiniana* (Les Sylphides) was one of exquisitely refined poetry. Again, the corps was close to perfection, moving and breathing as one. Gabriela Komleva proved that she is a consummate artist, as she had in earlier divertissement programmes, in a tragic pas de deux from *Emeralds* and in *Romance*, a Sovietique vignette by Bryancov.

Chopiniana formed part of a triple bill with divertissements from *Pokhito* and the pas de six and tarantella from *Napoli*. The *Pokhito* variations were authoritatively danced by Olga Chenchikova and Lubov Kuskova, and by Alla Sizova with all the delicacy and musicality that one remembers from her Aurora more than twenty years ago—she can even make

musical sense out of Pierre Lacotte's clumsy realisation of Saint-Léon's pas de six from *La Violette*.

At the moment the Kirov women are stronger than the men. Evgeny Nifonov is an impressive technician and a sensitive partner. Best of all are two very young dancers, Nicolai Kabanov and Sergei Vilkharev, both of whom were seen in *Napoli* variations and in the *Pokhito* pas de trois. Vilkharev also danced a new ballet based on Oscar Wilde's story *The Star-Child*, choreographed for him by Vitaly Timofeev, which demonstrated once again that the Kirov are not without a Soviet ballet in its new choreography. It doesn't help matters that the only contemporary choreographers from the West whose works are performed by the Kirov are Maurice Bejart and Roland Petit. But again, there is hope to be derived from the fact that Vinogradov wants to add ballets by Ashton and Balanchine to the repertoire. It's high time.



Alla Sizova

Arts Guide

Music/Monday, Opera and Ballet/Tuesday, Theatre/Wednesday, Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

LONDON

English National Opera, Coliseum: the ENO tries again with Ariadne on Naxos, replacing with a new production the unhappy attempt of two seasons ago; Janice Cairns, Sally Burgess, Marilyn Hill Smith and Kenneth Wootton in the leading roles; Walter Weller (London opera debut) as conductor. Further performances of David Blake's striking Caribbean operatic epic, *Toussaint*, and of the famous style New York *Rigoletto* produced by Jonathan Miller.

Royal Opera House, Covent Garden: The season opens in an unusual and exciting way, with a revival of the much-praised Götz Friedrich production of Beethoven's *Lulu*, one of the most powerful and disturbing of all operas in a staging which catches much of its special quality. The cast is as in 1981—Karan Armstrong, Günter Reich, Ryszard Karczewski, Colia Davis as conductor, and a single important newcomer in the Geschwitz of Brigitte Fassbänder.

Sadler's Wells, Rosebery Ave: The Sadler's Wells Royal Ballet starts its autumn season on Tuesday with a triple bill. This programme plays through to Thursday.

WEST GERMANY

Berlin Deutsche Oper: The Merry Wives of Windsor, finally interpreted by Barry McDaniel and Lucy Pascoe. La Bohème sung in Italian, stars Pilar Lavergne, Dannaoui, and Faust of Berlin with Kenneth Rieget in the title role.

Hamburg Staatsoper: Donizetti's *Der Liebestrank* is a Jean-Pierre Ronelle production. Hoffmann's *Erzählungen* has the Olympia of Eda Moser. Ein Maskenball is cast with Montserrat Caballé and Franco Bonisolli in the leading roles. Otello has Julia Varady and Vladimir Atlantov in the key roles.

Frankfurt Opera: Der Türke in Italien brings together Paula Page and Dieter Weller in the main roles. La Traviata has Faye Robinson in the title role and Benjamin Luxon making his Frankfurt debut in the part of

Don Germont. Manon Lescaut has Nelly Miricioiu in the title role. Un prodigioso in a fresh and delightful revival.

Stuttgart Württembergische Staatsoper: End of season. New season starts on Sept 17.

ITALY

Venice: Palazzo Grassi: World premiere of Oscar Frank's *Stradella* in collaboration with the Ecole du Théâtre National de l'Opéra de Paris. Teatro Malibran: Handel's *Agrippina* (Sun, Tue, Thur). Teatro la Fenice, Madama Butterfly (Wed).

NEW YORK

New York City Opera: Scheduled performances this week are *The Mikado* and a benefit performance of *Camdillon* (curtain, please note, 7 PM for benefit). New York State Theatre, Lincoln Center (870-5577).

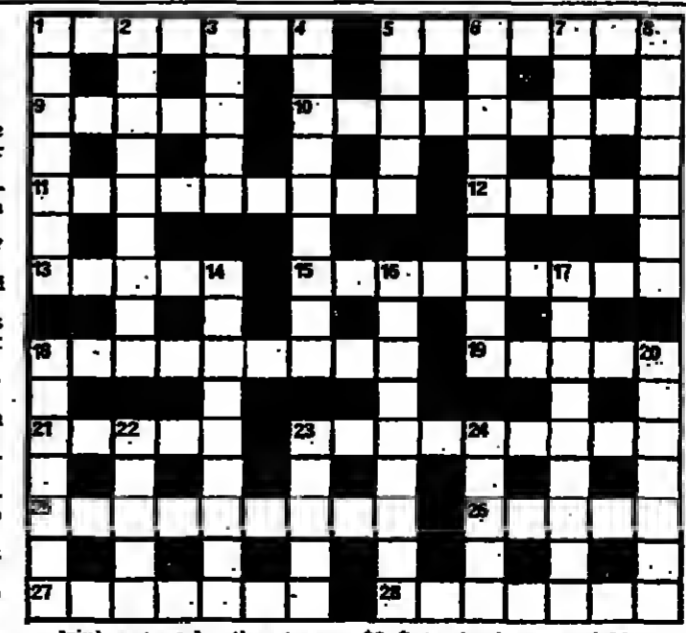
F.T. CROSSWORD PUZZLE No. 5215

ACROSS

- Court cards? (7)
- For a clever scientist, take diamonds take half an hour (7)
- Belief in a system of conservative lead with Thatcher's material (5)
- In which natives are born? (8-3)
- Waste, like many a casual joke (5, 4)
- Some fine welcome marks the beginning of the flight (5)
- I horn-playing, can make money (5)
- Coe sprint excited Priestley a caller (9)
- Beats everything, this predicament of smoker (9)
- Sticky pieces of meat—bake a foreign way, with top of bacon (5)
- Object of half-made wall in Paris (5)
- Lament about common name of oil, dips, etc. (9)
- Tropic island grain (9)
- Could be a bone-meal for young dogs (5)
- Account-books having entries that are above the staff? (7)
- To cause inflation old penny is devalued (7)

DOWN

- Sailor's means of raising girth (4-3)
- It is for flavouring gum—mine's part-chewed (9)
- Settle money on—old penny enough for poet grasping it? (5)
- Inmate miners' leader? (4-5)
- Pop's extremely tasty but rather white-looking (5)
- Writer has something to



Solution to Puzzle No. 5214



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Tuesday September 13 1983

Owen's new blueprint

DR DAVID OWEN'S first major speech as leader of the Social Democratic Party was received with less than total rapture by the party conference in Salford yesterday — at least judging by the volume of applause. Indeed, the silence that greeted some of its key passages suggested that a large part of the conference did not fully understand what he was saying. It was a major political speech, none the less.

The section that mattered most was about economic and social policy. Dr Owen paid tribute in passing to Mrs Thatcher. "She is," he said, "a worthy opponent," though there were also barbs, like his attack on her alleged inability to transform herself into the Prime Minister of the nation. But it was the gloss that he put on her economic policies that counts.

Competition

The SDP leader became one of the first prominent British politicians to endorse the "social market economy." To many that may seem a technical term, derived from Germany. What it means in English is the market economy with a safety net, or to put it in more political terms, perhaps, Thatcherism with a human face. Its adoption in West Germany was partly responsible for that country's post-war recovery. When the Social Democrats broke with Marxism in the late 1950s and embraced the social market economy in its stead, they too were on their way back to office — facts of which Dr Owen is obviously not unaware.

Mrs Thatcher grasped the market part of the philosophy early on, and Dr Owen has recently caught up. Yet in two important respects he has now gone further than the current Tory orthodoxy. One is that he has recognised the essential contribution of competition to the social market models. The other is that he has remembered the need for the safety net.

As Dr Owen said yesterday, the Tories have been exactly distinguished by their competition policy: a privatised monopoly is still a monopoly. Equally, in their search for greater economic efficiency, the Tories are, at least, open to the

charge of overlooking the needs of the disadvantaged. The social market economy was never designed to do that. Indeed one of its main purposes was to help those adversely affected by a period of economic transition. Dr Owen's way of putting it was that it ought to be possible to link together in the public mind "the politics of prosperity and the politics of poverty" so that there is no obvious incompatibility between striving for efficiency and greater equity. That is a chord which Mrs Thatcher has not yet quite struck.

Two other points in the economic section of the speech are worth mentioning. First of all, Dr Owen moved a long way towards abandoning the concept of a statutory incomes policy, which had always seemed a hangover from the days when the SDP leaders were in the Labour Party, and which was re-embraced by Mrs Shirley Williams, the SDP president, as recently as Sunday. "There is merit," he said, "in free collective bargaining, pausing only to recommend no-strike agreements in essential public services."

Tax benefits

Secondly, he came out strongly in favour of a reform and simplification of the tax system. True, he gave no details and the conference heard him in silence. But it was not unrelated to the theme that the SDP has to persuade the majority, "who still have a job and who are relatively prosperous that they have responsibilities to those who are less fortunate." Again, Mrs Thatcher could learn from that. The removal of some tax benefits to the better off, such as mortgage interest relief, is long overdue.

It would be foolish to attach too much importance to one speech, many of whose ideas were under-developed. It should also be said that the SDP at Salford looks a bit like a one-man band with Dr Owen head and shoulders above the rest. But his performance yesterday was both a breath of fresh air and a concept of the SDP as the Labour Party mark two and a refinement of some of the policies offered by the Prime Minister. Both major parties need to take note.

A warning from France

THE STRONG showing of the French National Front in the municipal election at Dreux, near Paris, is a warning not only to France but to much of the rest of western Europe. The arrival of an anti-immigrant party on the political scene, small though Dreux may be with its 35,000 inhabitants, will also be noted with concern in those countries that have supplied the stream of migrant labourers without which western Europe could not have managed the great economic expansion of the 1950s and 1960s.

Nobody need be surprised that recession and unemployment should have begun to arouse animosity against foreigners. In Germany, with 4.6m foreigners out of a population of 61m, feeling has been rising, especially against Turks, because they have proved unwilling to assimilate to German ways.

Concern

In Switzerland, with almost 1m foreigners in a population of 6m, the so-called xenophobic parties look like making a comeback in the general election next month. Bowing to the wind, the Government has already made entry into the country more difficult. Britain, too, has been closing the gates.

What makes Dreux a cause for concern is that the local bourgeois parties in opposition to President Francois Mitterrand and to his Socialist Government embraced the National Front without being called to order by their national leaders such as Mo Jacques Chirac, Mayor of Paris, ex-President Valéry Giscard d'Estaing, and M Raymond Barre, the former prime minister.

To their credit several leading personalities of the pre-Mitterrand regime, at their head Mme Simone Veil, did demonstrate against the Dreux alliance. If M Chirac shared their feelings, he kept his sentiments to himself. Admittedly his position is difficult: both of the right want an all-out attack on the Socialist Government, not shying away even from taking to the streets.

M Chirac has quite properly resisted their pressure. Extra-parliamentary action,

laced with xenophobia, would not only be reprehensible in itself, but could prejudice the stability of France at a moment when both the French and their neighbours face quite enough perils.

Economic circumstances, with 2m French workers unemployed, and the increase of xenophobia have induced the Government of M Pierre Maurois to clamp down on immigration. Besides, and understandably, a drive has begun to prevent illegal immigration.

Demand

Towards those migrants who already are legally in France the Maurois Government has adopted a policy in keeping with a long-established, liberal French tradition. They are to be encouraged to assimilate to French society. It is a reasonable demand to make upon a group which, after all, constitutes some 8 per cent of the total French population of 51m.

Being the danger to stability in France, and potentially, in other host countries, should anti-foreigner feeling be given free rein, one should also consider the effect upon the countries of origin of these migrant millions. A country like Portugal, for instance, is heavily dependent upon emigrants' remittances to balance its external accounts. Likewise, the countries of origin would face a catastrophic increase of unemployment if migrants ever had to return en masse.

Nor could the host countries contemplate such an exodus with equanimity. Present hopes for a reduction of unemployment in the industrialised countries of Europe may be dim; but who can be sure that the army of Gastarbeiter will never be needed again? Who, indeed, can say that even in today's climate they are not an essential element in the labour markets of several countries?

National leaders are under an obligation to avoid giving encouragement to xenophobia and to smooth the way for the integration of the migrants into their societies. Dreux should be a warning. It should not be given too much importance because the episode was localised; but it does leave a nasty taste.

THE brand new fabrication hall large enough to contain a good-sized football pitch, stands echoing and under-used in northern Scotland. It is an apt symbol of the promise — and the problems — of the new phase of North Sea development which is just beginning.

Thousands of jobs hang on the conviction of companies like RGC Offshore, which has built the new facility at Methil, near Fife, that oil and gas producers are about to embark on a fresh spending spree.

The era of giant platforms for new, big oilfields is over. But Mr Allick Buchanan-Smith, Minister of State for Energy, noted last week that the British North Sea oil industry is likely to propose almost 30 new projects in the next two years.

This is where RGC, and other companies across the industry, see their opportunity. The development of these new small fields will require platforms, living accommodation and pipelines. It's new fabrication hall will allow work to go ahead on three platforms "modules" — self-contained processing or accommodation facilities — at once and each of them could be worth up to £20m.

Companies like RGC are gambling on the fact that revival is indeed long overdue. Fields such as BP's massive £1.5bn Magnus Project, which Mrs Thatcher is to inaugurate tomorrow, are the result of development decisions taken well back in the 1970s. Now the signs are that a host of new plans are being prepared.

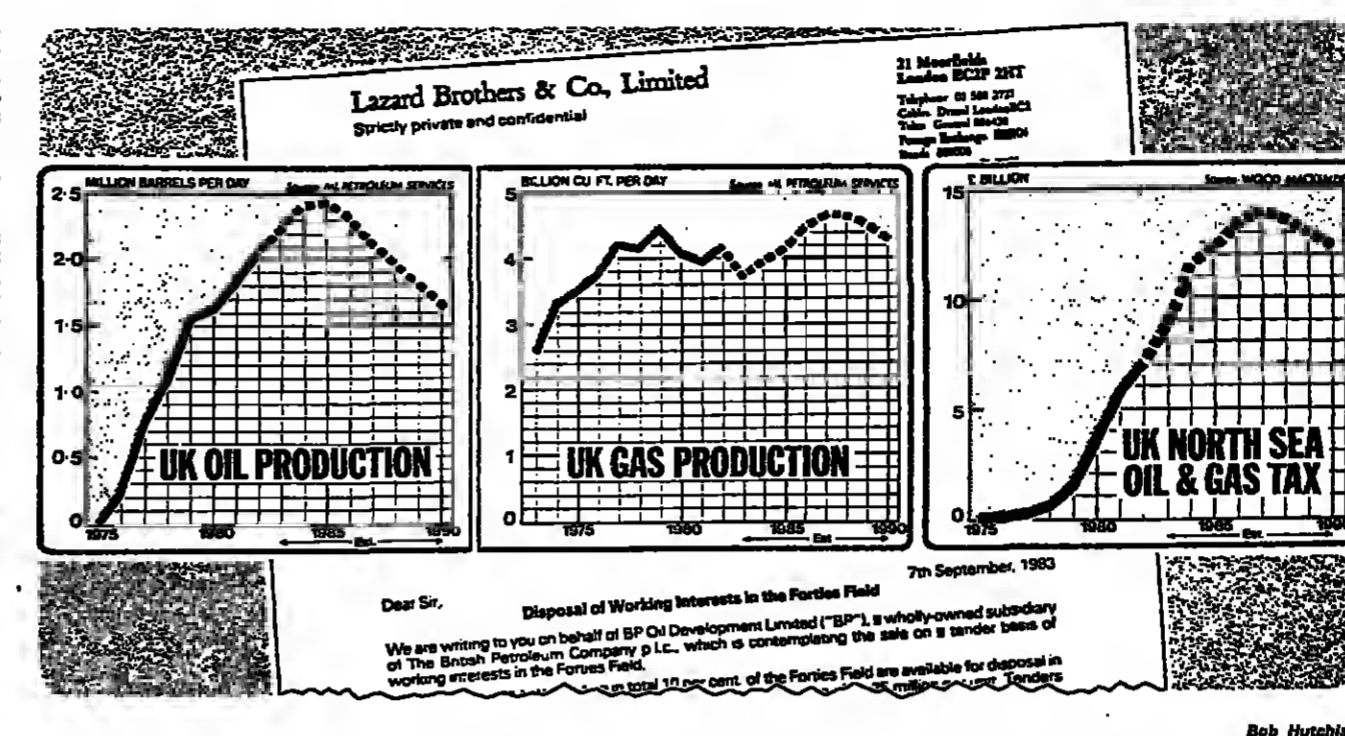
The dearth of significant new orders was underlined by most recent statistics which showed that last year the value of orders placed for goods and services by UK oil and gas developers was, at £2.25bn, the lowest since 1978. This year's value is not likely to be much higher.

But the climate is changing. Mr Buchanan-Smith told the Offshore Europe Exhibition in Aberdeen last week that among the plans under discussion with the Government, were Marathon's North Brae oil field; Sun Oil's Balmoral oil field; Hamilton Brothers' Duncan oil field; Texaco's South Sall oil field; and BP's novel Single Well Oil Production System — an essence of a combined production, storage and transportation vessel.

The modest nature of some of these particular projects can be gauged from the fact that Mr Buchanan-Smith estimated that the value of work generated would be little more than £20m. By contrast, the exploitation of Shell/Eso's big Brent Field in the mid-1970s cost more than twice that amount.

The Minister did not list all of the 30 new production schemes and pipelines that are likely to emerge in the next year or two, but it seems doubtful that any individual project will cost much more than £10m. The oil and gas reserves in UK fields awaiting development do not justify greater investment.

This is not the case on the other side of the median line in the North Sea where a slower, more cautious develop-



ment programme on the part of the Norwegian offshore industry has left several giant fields unexplored. Just four projects — the Oseberg, Sleipner, Troll (phase one) and Tommeliten oil and gas fields — could generate orders worth nearly £13bn (\$19.4bn) over the next decade, according to stockbrokers Wood Mackenzie.

Scanning the UK and Norwegian sectors of the North Sea, Wood Mackenzie identified 13 fields for which development plans could be formulated in the next 18 months to two years. Total investment, it said, could be more than £25bn.

Mr John D'Ancona, director-general of the Offshore Supplies Office, the UK Government agency responsible for promoting the supplies industry, was prompted to declare: "A recovery in activity will help to protect the industry and may, in the longer term, enable it modestly to expand employment." Latest estimates suggest that some 100,000 people are employed in the offshore supply industry.

Yet the UK supply industry is sceptical that it will reap much benefit from the Norwegian development programme. Companies have long complained that they have been unable to win what they regard as a fair share of Norway's business. In fact, they say, Norwegian industry accounts for only 54 per cent of the net content of orders placed by

Norway's oil and gas industry. Much the same could be said of the UK offshore industry. In recent years, according to the Energy Department, UK companies have been winning between 67 and 78 per cent of the value of goods and services placed by the oil industry operating on the UK Continental Shelf.

But these figures are misleading, partly because in Britain, too, there is a great deal of subcontracting and partly because a number of major companies classified as British are no more than local subsidiaries of overseas — predominantly American — engineering groups.

Mr D'Ancona eschews suggestions of protectionism in favour of British industry. "The last thing we want to do is to set up a barrier so that UK companies can be feather-bedded," he said. "We should not be tempted to erect protective barriers behind which inadequate performances can thrive. That would not be in the interest of UK industry."

Even so, UK industry is being

helped. Under North Sea licensing terms offshore operators have undertaken to give UK companies a "full and fair opportunity" to compete for orders. In other words operators must have a good reason for importing goods and services.

Furthermore, as a condition of the last eighth round of exploration licences all oil companies have undertaken to help UK industry develop and promote its home-bred technology. This move, introduced by Mr Nigel Lawson, the then Energy Secretary, was designed to give UK industry a helping hand in the export market.

"Acquisition of British industrial know-how is as important as the oil," said Mr Lawson's successor, Mr Peter Walker, when he met a top-level Chinese petroleum delegation last week. China is regarded as a vital potential market for the UK offshore supplies industry.

It is too early to tell what impact this technology initiative is having. But it may be possible

to tell which oil companies are most actively supporting the Government's aim by the way licences are allocated in the ninth round of concessions, now under Energy Department consideration.

Both the Government and the oil industry are anxious to maintain the raised tempo of licensing evident in recent years. The pace of exploration needs to be pushed along if oil companies are to have any hope of prolonging a high level of oil and gas production into the 1990s and beyond.

The UK may currently be the world's fifth biggest oil producer, with an output of around 2.3m barrels a day, but it will be a matter of only two or three years before the flow of domestic oil begins to slow down. It is a sobering thought that it would take EACH YEAR the development of a dozen fields like Balmoral — one of those now earmarked for exploitation — to maintain the present rate of UK production (\$40m barrels annually).

The pace of exploration has picked up in recent years, thanks largely to oil price movements and Government licensing policies. Last year, for instance, 72 exploration wells were started on the UK Continental Shelf, the highest number since 1975. The pace of drilling has been maintained this year.

In order to give a further boost to exploration, as well as to encourage the development of small economically-marginal fields, the Government introduced sweeping tax concessions in the March Budget. Oil producers can now claim relief against Petroleum Revenue Tax for any exploration and appraisal expenditure on the UK Continental Shelf.

It was perhaps inevitable that the tax changes would shake up the molecular structure of the

North Sea industry. And during the past few months the haves and have-nots, in oil producing terms, have been jostling to extract the most benefit from their different tax positions.

But it is BP which has thrown a spanner in the works by promoting the biggest tax deal of them all. The company aims to raise over £260m by selling 12.5 per cent of its heavily taxed interest in the mature Forties Field to less successful companies with plenty of tax credits to spare. The Forties stake would be sold by tender in small lots, each representing 0.25 per cent of the overall field.

BP, which wants to use the cash for newer, more profitable ventures, makes no bones of the fact that taxation is the reason for the proposed deal. Indeed, in a letter sent to 170 North Sea companies, BP's bankers, Lazard Brothers, say unequivocally: "It is likely that an opportunity to acquire an interest in the Forties Field may be particularly appealing to companies which have licence interests and exploration commitments but which are not able to obtain full UK tax relief for their expenditures."

The letter then lists five ways in which oil companies could use the proposed deal to their tax advantage. In addition, the bankers point out that companies and institutions might wish to acquire a stake in Forties as a prelude to incurring additional drilling licence commitments. Traditionally, the Government has looked more favourably on applications for exploration licences from those companies with a production track record.

The proposed BP deal, which has still to receive formal Government sanction, raises many issues. Its sheer size will queer the pitch for other producers contemplating similar offers; the amount of tax-sheltered cash thought to be available for such acquisitions is probably not much more than £300m.

Secondly, the deal would introduce a new arrangement for changes in oilfield licence ownership, a fact that is concerning the Energy Department. Thirdly, and of particular concern to a hard-up Chancellor, the sale would make an appreciable dent in North Sea tax revenues. Industry estimates suggest that the Inland Revenue will receive between £240m and £310m less in Petroleum Revenue Tax and Corporation Tax over the next three years although this loss could be mitigated by extra Corporation Tax and Capital Gains Tax payments from BP.

For its part BP argues that in the longer term the deal will provide widespread benefits to both offshore producers and the supply industry. It points to the increase in exploration and development which is likely to result from the redistribution of Forties and other producing field interests. And that, after all, was the intention of the Government when it introduced the tax changes.

Men & Matters

Parkinson regrets

West Midlands industrialists, anxious to interpret government thinking about whether the troubled region will get assisted-area status, have been denied for a second time the chance to meet Cecil Parkinson, the Trade and Industry Secretary.

Interest in Parkinson's own views on regional policy is acute in the Midlands following a report that intermediate status for the West Midlands is one of the options under consideration in Whitehall.

A visit by the Minister to the region earlier this month had to be cancelled at the last moment because he was suffering from a gastroenteric upset on the morning after his 52nd birthday.

This time he is being forced to stay away from the Midlands by the protocol surrounding his office.

More than 200 leading industrialists and civic dignitaries were looking forward to meeting Parkinson, and perhaps being favoured with a sign of his intentions towards the region, when gathered at Walsall next Friday for the inauguration of a £2m investment by McKechnie Metals.

He will not be there. His department said last night the visit would be "inappropriate" in view of the planned £5.5m acquisition by McKechnie of the brass rod and wire business of LMR, another Birmingham-based company.

The deal is currently being considered by the Office of Fair Trading but the final decision whether it should be referred to the Monopolies and Mergers Commission, rests with Parkinson himself.

Irish stopover
Over at Ireland's Shannon Airport, they are not sure quite

what to make of the British government's decision to ban Aeroflot, the Soviet airline, from British airspace. The ban is likely to mean no Aeroflot landings at Shannon for two weeks, which will cost the airport about £10,000.

On the other hand it may spare the Irish the embarrassment of having Aeroflot themselves in the same week that they expelled three Soviet diplomats for alleged spying.

Aeroflot's refuelling facility at Shannon was one of the brighter ideas of the already-inventive Shannon Free Airport Development Company.

Russian ships bring the fuel up the river, saving precious foreign currency, while the Irish earn £4m a year in landings and services as the Russian jets refuel on their way to the Caribbean and South America.

The airline also delivers some exotic visitors to the duty free shop. Fidel Castro for example, is reported to have developed a liking for Jameson whiskey on his stopovers. Whether any of the passengers are carrying Nato secrets is a matter over which a discreet veil has been drawn.

Fishy tactics

The lobby against the slaughter of seals in Canada is not content to rest on its laurels in spite of the EEC having imposed a two-year ban on all imports of Canadian seal skins.

In the meantime, surroundings of the Saville Club, London last night, the British Seal Protection Group was plotting to take the fight into the perceived enemy's camp by economic aggression.

Canada's fishing industry is worth some 30 times more in income to fishermen than is the seal killing to hunters. The activists want to boycott sale of Canadian fish in Britain in

order to make Pierre Trudeau, prime minister of Canada, weigh the economic consequences.

Some £50m worth of Canadian salmon is imported into Britain each year for sale canned or frozen.

First shots in the campaign have been fired. Nearly 200,000 postcards are winging their way from British members of the International Fund for Animal Welfare to such salmon marketing companies as John West, Episcure, Birds Eye, and Zest, urging them to press the Canadian government to stop the seal killing.

Might a compromise be found in a new line in tinned seal?

Monetary steps

Some stiff limbs were being reported by distinguished central bank governors when they met again yesterday in Basle. Greek hospitality was being named as the culprit.

EEC finance ministers and their central bank governors always look forward to the weekend of informal talks organised by the country currently occupying the EEC presidency.

Last weekend saw them in Greece for the first time. They shared a holiday hotel on the island of Kefallinia with package holidaymakers — who, incidentally, were none too pleased to suffer a temporary withdrawal of facilities, and general disruption caused by the presence of the ministers, their wives, the governors, and assorted officials.

But the meeting was a golden opportunity for Ciriaco De Santis, the Greek minister for national economy, to put the island of his birth on the international map.

No effort was spared to give his guests a taste of its delights. The high spot was a dinner followed by Zorba-style dancing in which Robin Leigh-

Pemberton, new governor of the Bank of England, showed an enthusiasm and style worthy of Anthony Quinn himself.

Other participants found it altogether too strenuous. They are unlikely to have to dance together again this week in sober Switzerland. It will be considered sufficient by most observers if they can simply manage to sing the same tune.

Stewed lamb

These are tough times for chemical companies.

Even so, I can't help wondering what exactly is going on at Belgrove House, home of BP Chemicals, where they want to reduce the European wine lake by feeding excess grapes to sheep.

BP Chemicals has applied for a £250,000 EEC grant to further its investigations.

The company says that this year some 23bn bottles of wine will be produced in the EEC. But drinkers will soak up only 19bn.

The current system of disposing of surplus wine, with the help of further subsidies, by distilling it into wine alcohol only creates another problem — surplus industrial alcohol.

BP has spent some £20,000 on a project with Newcastle University on methods of dealing with grapes. Together they have come up with the idea of substituting grape juice concentrate for cane molasses in the feed of unsuspecting lambs.

"In fact," says Nick Spencer of the alcohol division, "the lambs seem to enjoy the grape juice. They gained weight satisfactorily and no ill effects were observed."

And what about Sunday lunch? "The meat quality was indistinguishable from lamb fed on a conventional diet," claims Spencer.

Observer

Cutty Sark Scotch Whisky



Quality without compromise.



THE SCOTCH WHISKY DISTILLERS' ASSOCIATION

Letters to the Editor

British Gas pricing policy

From Mr M. Simons

Sir—The Deloitte report on British Gas does not refer to the appropriateness of the Corporation's accounting conventions. These have led to a substantially higher asset upvaluation than has been customary in industry which in turn has brought massive depreciation charges also levied on plant under construction, and immediate write off replacement assets. As a consequence the real rate of return for the depression year ended March 1983 was much higher than the 5.7 per cent published.

The Corporation's drive for his profits supported by the Department of Energy makes one wary about gas pricing policies advocated in the Deloitte report. One is left with the impression that the shorter and longer term needs of industry and of private customers have not been sufficiently considered by those who advocate that gas prices should be based on the cost of the most expensive gas viz. the Norwegian Frigg field gas. (The Norwegian and the French Governments hold substantial shares in the four companies

which own this field). What inducement is there for British Gas or indeed for the Department of Energy to encourage the Corporation to bargain hard for keen gas prices if high marginal costs cause all gas prices to rise?

The cost of marginal gas will be influenced by the profit expectations of the relevant operators. It is of concern that the report states "we understand that the UK sector oil companies require a post tax real return of 8-10 per cent", and that the British Gas Corporation's 5 per cent return required in the 1978 White Paper "may need reconsideration". Norwegian sector operations presumably also require returns well in excess of those earned by the industry in Norway and the UK.

Realistic energy pricing is essential for industry, while sensible heating costs, which rose 25 per cent per therm in the last financial year, are vital for our ageing population. The Government must take wise economic and social decisions. M. E. Simons, 24 Grosvenor Avenue, SW15.

The regional grant scheme

From Mr J. Crozier

Sir—Your editorial of September 6 described a view of regional policy as seen from London EC4. May I comment from the perspective of an assisted area. Seen from here the regional grant scheme has substantial virtues and should be retained.

It is "automatic," which means a businessman knows that he can rely on getting a grant. The alternative is to introduce "selectivity." Who is to select? Civil servants and politicians? For the businessman "selectivity" means coping with bureaucracy, delay and uncertainty as to whether he will get any grant.

You support a "cost per job" ceiling. Unfortunately, properly determining the number of jobs created by a project is a major exercise in its own right. Those capital intensive projects that you criticise create substantial employment during the building phase in the construction and engineering industries. Once in commission the plants may not employ many people directly but they often create significant jobs downstream and in associated industries, e.g., transport. In addition, such capital intensive industries often contribute large sums in rates and put substantial purchasing power into local economies through the wages and salaries of their employees.

You suggest that "assistance be restricted to inward investment by foreign companies which can provide genuine jobs and an immediate balance of payments gain." Are jobs created and sustained by firms already in the UK any less genuine than those of new entrants foreigners? Is it not important for the depressed areas that their existing industries are assisted to modernise and to stay competitive on an international basis?

Loss of international competitiveness may have something to do with the decline of West Midlands industries. Creating an assisted area there would be a reasonable step in helping them in the fight back. But that can be done without tinkering with the present grant system which is straightforward and effective in assisting industry to modernise and survive by being competitive.

With the present recovery proceeding rather slowly and at the top of this most traditional and hierarchical establishment will be judged, but by the legacy he has bequeathed to his successor, Mr Bob Reid, presently the chief executive, whose appointment as chairman was announced only a week before Parker left.

The railways continue to consume a huge and growing chunk of public expenditure. £813m last year against £670m in 1976 (1982 prices)—which does nothing to endear them to Mrs Thatcher. British Rail has also failed to meet the Treasury's financial targets for those activities classed as "non-social railway," is inter-city and freight.

Perhaps most significantly of all, the government is not impressed by BR's manning levels. These remain largely a reflection of failure to come to grips with key productivity issues early in Parker's career.

In the eyes of the public, meanwhile, the quality of BR's service has deteriorated over the past seven years. There has been some improvement in recent months, but over the period punctuality has declined, the network has got smaller, cross-country journeys have become more awkward, and complaints about dirty trains have increased.

But BR is now being managed more as a business than as a public service—a trend which is at last earning it government approval. Much of the credit for this goes to Reid, who masterminded the sector management structure introduced at the beginning of 1982.

People who place themselves in the public eye are public property: as President Truman so succinctly put it—"If you can't stand the heat stay out of the kitchen."

Nicholas A. Mendes, Nicholas A. Mendes and Associates, Midland House, New Road, Halesowen



The media-bashing season

From Mr N. Mendes

Sir—Few people can have failed to notice that once again we have reached the "open" season for media-bashing. It is not surprising that this annual free-for-all starts with the Trades Union Congress—the unelected Labour Party in opposition—goes right through the plethora of political party conferences and will predictably close in Glasgow in November when the Confederation of British Industry—those people who think that they ought to run the nation—gets together for its annual meeting.

For those people unable to identify the itinerant media basher, he or she can easily be recognised by their plaintive cry of "right of reply," repeated endlessly. Journalists has the impudence to comment unfavourably upon either themselves or their views.

Thank God we have a strong, free Press prepared to comment, criticise and even lampoon when the situation demands it.

Uranium mining in Australia

From the Executive Officer, The Uranium Institute

Sir—Writing about the recent violence at the Olympic Dam mine in Australia, August 29, your correspondent refers to the "growing opposition in Australia to the mining and export of uranium" as fact. This is highly questionable. Indeed, there is evidence that support for uranium mining is growing. Gallup polls have posed the question "do you think Australia should — or should not — develop and export uranium for peaceful purposes?" on three occasions. In June 1979

51 per cent responded positively. This percentage rose to 58 per cent in June 1981 and in the recent poll of July 1983 stood at 66 per cent. Over the same period those responding negatively declined from 36 per cent to 28 per cent.

The recent violence may mark growing vociferousness on the part of those opposed to uranium mining in Australia, but it is questionable to imply that opposition is growing.

Jan Murray, The Uranium Institute, Eighth Floor, New Zealand House, Haymarket, SW1

A policy of cheap money

From Mr A. Mitchell MP

Sir—Codswole is the only word to describe Mr Samuel Brittan's dissertation (Lombard, September 5) on interest rates.

The "law of one price" from which he derives his own "law of one interest rate" is a monetarist fantasy which is why it is difficult to establish statistically. The "law" was first put forward by Gustav Cassel in 1916 to explain the violent movement in exchange rates after the collapse of the Gold Standard. It was effectively debunked by Jacob Viner in his brilliant *Studies in the Theory of International Trade*. Despite this it was conjured up by the Government's present Chief Economic Adviser and others to explain differences in the rate of inflation after the breakdown of the Bretton Woods system.

Readers who live in the real world will know that the economic convergence implied in the "law of one price" does not and never has existed. There is instead a "law of continuous causation" which has the opposite effect. Countries which devalue benefit from increased economies of scale and vice versa. Japan and the UK are the extreme cases.

What about the "law of one interest rate"? It is true that in the absence of exchange control and other forms of Government intervention, UK interest rates are largely determined by rates in other countries. This is not due to any law of economics. It could be ended tomorrow if the Government wanted to reduce unemployment by reversing the ratchet of tight money, high interest rates and high exchange rate.

Mr Brittan's calculation of the effect of the mortgage subsidy

on the cost of borrowing is also false because it ignores the external aspect. The export of capital since exchange control was lifted is many times greater than the sum of money which would be released for productive industry if the subsidy were to be ended. The sum of money would be a drop in the international bucket and it is inconceivable that it would have a significant effect on the level of interest rates internationally, which is what is now allowed to determine the level of UK interest rates. Industry is being "crowded out" by those who have voted against the policies of this Government and their financial feet.

What is needed for recovery is a policy of cheap money which would enable the interest subsidy to be phased out so that it ended when the standard mortgage rate fell to 8 per cent. Mr Brittan's time would therefore be better spent examining the lesson of the thirties and considering how the massive expansion in the money supply which is required to repair the damage which has been done to our economy by the policies pursued since 1975 could be contained if and when the expansion in the real economy had to be checked because of the effect on prices. What in my view would serve the purpose is a selective control over credit based on differential reserve requirements at nil or reduced rates of interest, the severity depending on the trade-off, if any, between inflation and employment. This would not of course rule out increases in VAT and national insurance charges to neutralise excessive wage and price increases.

Austin Mitchell, House of Commons, SW1

The borrowers and the banks

From Mr M. Mendelsohn

Sir—I suggest that the balance of power between borrowers and lenders is more subtle than suggested by some passages of Samuel Brittan's article of September 8, and that this applies especially to sovereign borrowers which, unlike companies, cannot be wound up for creditors.

It is true that a borrowing country's power increases with the amount it borrows, but only to a point. Countries which need to go on borrowing, as developing and east European countries will need to do, are compelled by that necessity to recapitulate their credit standing as soon as they can. Failure to do so entails a high cost in terms of the price and terms of the restricted amounts of new money that would be available to them.

That applies likewise to the minglings of Professor Michael Lipton and Dr Griffith Jones, cited by Mr Brittan. They believe that if central banks were to discount some of the claims of commercial banks on sovereign borrowers, "it would

be important to avoid making the central banks' purchase price for sovereign debt as low as to give debtor countries an incentive to repudiate their obligations." Borrowers would certainly be distressed by having a liability of \$100 acquired by a foreign central bank at, say, \$50. But so far from providing a temptation to repudiate, such a risk premium might provide a very strong incentive to repay credit standing permitting new borrowing at less than the punitive cost reflected by very large discounts on outstanding claims held by creditors.

Mr Brittan's opening sentence captures astutely the subtle interplay by describing the dialogue between sovereign borrowers and commercial banks as a game of "chicken." It can be described, also, as a "chicken" game. The partners can walk, limp and fall together; in which they can, indeed, do almost anything except part company. M. S. Mendelsohn, 35 Rochester Square, NW1.

British Airways' leasing decision

From the Chief Executive, British Airways

Sir—Mr Darke, the national organiser, Aerospace, Technical, Administrative and Support Section, Amalgamated Union of Engineering Workers, is wrong when he says (September 8) that British Airways' decision to lease Boeing aircraft and not commit itself to the Airbus A320 has nothing to do with noise legislation and has everything to do with the Government's plans for privatisation. It is a fact that UK noise legislation requires us to disperse with our Trident fleet of aircraft by January 1, 1986.

The leasing arrangement is clearly the most logical, sensible and economical decision and furthermore it keeps open all our options—including the A320—until we know more precisely the likely pattern of

future air travel and our aircraft requirements to meet it. The A320 will not be available before 1988-89 at the earliest, and it does not make sound financial and commercial sense for British Airways to commit itself so far ahead to a plane which exists only on the drawing board.

British Airways has long supported our aerospace industry, including most recently in our choice of the Boeing 737 which has Rolls-Royce engines and a higher British value content than the comparable Airbus aircraft.

If the backers of the Airbus A320 are convinced of the excellence of their aircraft, then I suggest they go ahead and build it. British Airways will give it very serious consideration. Colin M. Marshall, PO Box 10, Heathrow Airport (London), Hounslow.

Solicitors and conveyancing

From Mr J. Pratt

Sir—Much of what Mr Holland says (September 8) is true but he does not deal with the central issue of why solicitors in conveyancing transactions, unlike virtually anyone else carrying out business in this country, should be protected from competition by a statutory monopoly.

While consumers of conveyancing services should, of course, be protected in the same way that other consumers are protected, why does consumer protection for this category of consumer require that they should be obliged to go to solicitors to have their houses conveyed? If Mr Holland was really concerned about consumer protection, would he not argue in favour of relaxing the "monopoly" so that non-solicitor conveyancers, subject to certain safeguards such as compulsory negligence insurance, could provide a full conveyancing service? It would then be up to the consumer to decide whether he wished to avail himself of the added pro-

tection in using solicitors to which Mr Holland refers. While a majority of the London Young Solicitors Group, I was aware that a substantial number of my members did not wish to retain the "monopoly." I believe that a majority of solicitors practising in London (whether "young" or "old"), and a sizeable minority of solicitors practising in the provinces, do not wish to rely on a monopoly to attract conveyancing customers.

I have no statistical evidence to support this view but equally the Law Society has not obtained any evidence of widespread support for its efforts to retain the "monopoly."

While I for one, as a non-conveyancer, would always use a solicitor in my house purchases and sales, I cannot believe that it can be right, as Mr Holland suggests, to force others to do so.

J. H. Pratt, The Old Schoolhouse, Sutton Courtney, Abingdon, Oxon.

The mortgage situation

From Mr B. Jamieson

Sir—Allister McBay (September 6) says that banks assured borrowers that they were committed to home loans for good, which I do not think was quite true, and then he goes on to say that now that mortgages are not so profitable they have effectively shut up shop. In fact surely, mortgages are now more profitable bearing in mind that there is a higher differential between the rate charged and the present base rate.

The reason that the banks have had to pull out of the market is not because they are less profitable but because banks simply do not have the funds available for lending on a long term basis. The reason for this is that the building societies are presently offering interest rates to investors which are some 2 per cent or more above other market rates and,

therefore, the banks cannot hope to compete for those funds. This means that the banks are to a large extent dependent on buying money "wholesale" which is more expensive and gives very little or no differential for lending on to borrowers at mortgage rates.

It needs to be borne in mind that at the present interest rates are well above the rate of inflation—something which is not prevailed for many years.

I think it is also worth making the point which is rarely stated that the building societies are continually having to come into their coffers on a monthly basis and much of this money is available for on lending. It is not only the new money from investment.

B. G. W. Jamieson, 18, Binfield Road, Byfleet, Surrey.

British Rail's future

Tough lines and hard times

By Hazel Duffy, Transport Correspondent

"Winning on the railways meant that I should be succeeded by a career railwayman and Bob Reid is just that," says Sir Peter Parker (right) who retired as chairman of British Rail last Friday



Ashley Ashwood

which created five separate business sectors.

The recently published corporate plan which looks to 1988 similarly reflects Reid's tougher management stance. Gone are the pleas to government for more investment to lure the unions to come into line—the "glittering prizes" as Parker termed electrification and the Channel tunnel. BR now acknowledges that it will have to finance most of its investment alone.

It is significant that BR's plan envisages a declining government grant until the Public Service Obligation (PSO) will be back in real terms in 1986 to the level of that paid in 1975.

If BR is to achieve its target, it has to increase revenues from passenger and freight business; but more important, it has to make savings of around £200m by 1988. This has to be met largely through rail staff reductions—15,000 to go between end 1983 and 1988—and increased productivity.

Aslef, the train drivers' union, has already dubbed the latest plan a "blueprint for decline." The strength of Aslef has been much diminished by last year's strikes. But the NUR, under its new leader, Mr Jimmy Knapp, may well be disruptive over BR's plans to close part of BR Engineering—the first compulsory redundancies enforced by BR.

The weakening of the

union under the Thatcher government, did much to help BR push through its productivity package after last year's strikes, and this encourages those who believe that Reid—with his reputation as a tough man on the unions—will have an easier ride in getting his plans through than did Parker.

Parker's critics see his continued postponement of the seemingly inevitable confrontation with the unions as his most glaring failure as a manager. When he came to BR in September 1976, the morale of the workforce was exceptionally low, and management was not particularly disposed towards another outsider.

Parker chose to work with people rather than against them. His aim was to raise morale, in which he was successful. But the issue of productivity and flexible working practices, spelt out in the 1976 Rail Policy document, was avoided.

His well-aid belief in participatory policies began to get him dubbed a "consensus man." He vigorously denies this tag now: "I did not want to solve everything by consensus. At that first meeting with the NUR, I had a big row with them because I told them what I was going to do. A manager must have the nerve to expose himself, and be prepared to stand firmly in his corner. It has nothing to do with being cosy."

The election of the Thatcher

government and the onset of recession began to lay bare the need to get productivity improvements. Nonetheless, the Board's March 1981 policy document devoted great chunks to the urgent need for investment in the railways—but said very little on the need for the unions to come into line.

By this stage, however, it was clear that the government was prepared to sanction investment by BR only when it saw the proof of productivity. The battle with the unions came to a head over flexible rostering of train drivers. Even when that was settled—by October 3 all depots are scheduled to have gone over to flexible rostering—the embarrassment of the £150m investment in the so-called Bedpan line lying idle remained until March this year, when single manning was finally agreed.

The major, although slow, progress on productivity that followed last summer was marred by the report on the railways of the Sorrell committee. The Board itself had requested the review, believing it would prove its case that the long-term future of BR lies with government investment in track renewal, new rolling stock, locomotives, etc.

But the report, handed to Parker on Christmas Eve, was a bitter disappointment in its failure to back the Board's claim for more investment. Surplus was followed by uncertainty over Parker's successor. It began to look during the summer as though the government had forgotten the railways.

Then came the announcement of Reid's appointment and Parker's spirits lifted. He recalls that he was asked at the outset of his chairmanship: "What does winning on the railways mean?" and he replied: "That I should be succeeded by a career railwayman." Reid is just that.

It is ironic that Parker, who staked much of his career on trying to get government to approve visible signs of success—particularly electrification—may be judged ultimately as having succeeded because he backed the right man as his successor. Parker leaves behind those visible signs, but he leaves Reid—a man who will work within the tight confines of economic reality—to build up the more efficient railway for which Parker strove.

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SAUDIS CONTINUE LEBANON PEACE MOVES

U.S. increases task force strength

BY PATRICK COCKBURN IN BEIRUT

SOME 2,000 U.S. marines joined the U.S. task force off the Lebanese coast yesterday in a bid to strengthen the position of the 5,000 strong multinational force stationed in and around Beirut.

The force has come under intermittent artillery attack over the last month.

The insecurity of the U.S., French, Italian and British troops was emphasised yesterday when the marines came under small arms fire from nearby slum areas dominated by the largely anti-government Shi'ite sect.

The Government of President Amin Gemayel hopes that its position will be strengthened by greater military support from the U.S. and other governments contributing to the multinational force.

Increased help from Washington seems more likely as U.S. officials here backed up government claims that Syrians, Palestinians and Iraqis as well as Druze militiamen, have been involved in fighting against the Lebanese army.

But the bulk of fighting is still being done by the Druze and the Gov-

ernment has not been able to produce much evidence of massive foreign intervention.

The Government in Beirut would clearly like U.S. and French aircraft to support its army's efforts to hold hill positions overlooking the capital.

Diplomatic moves to end the fighting continue with Saudi Arabia's Prince Bandar bin Sultan shuttling between Cyprus, where he meets President Amin Gemayel's security advisor, Wadi Haddad, and Damascus, where he speaks to Mr Walid Jumblatt, the Druze leader, and Syria's President Hafez al-Assad.

The Druze and the Syrians show little signs of moderating their demands for direct Syrian involvement in talks on a new government and virtual veto on how this government should be constituted.

Their confidence has grown as a result of their victories over Christian militiamen last week and the failure of Israel to intervene on the side of the Christians to whom it was formerly closely allied.

Meanwhile, diplomatic sources in



Mr. Amin Gemayel

Damascus suggest that the Saudi peace plan provides for a general ceasefire and for an enlarged Lebanese conference that would include both Christian and Druze representatives, as well as the Lebanese Government of President Gemayel, who yesterday convened a top-level meeting to consider the draft agreement.

On the key issue of the future role of the Lebanese army, the diplomatic sources said that it is being suggested that civil police forces take over responsibility for security in the Beirut mountains.

The draft proposal seems to call for the army not to be used in "domestic" troubles involving the various factions now fighting each other.

There was little change in the situation at the battle front yesterday. The army is fighting to retain its position at Souq al Gharb overlooking the capital, which is of critical strategic and symbolic significance for the Government.

The Christian militia forces say they have regained control of two villages in the Shouf mountains to the south of Beirut, but Druze soldiers are confident they will overrun the whole area in a few days.

They may then cut the road linking Beirut with the city of Sidon to the south, which the Lebanese army, very short of men to meet all its commitments, has been unable to secure.

Soviet missile hints 'yet to be clarified'

By Bridget Bloom in London

THE SOVIET UNION'S much publicised hints that it is now prepared to be more flexible at the European missile talks in Geneva have yet to be translated into concrete proposals at the negotiations themselves, a senior U.S. official said in London yesterday.

Mr Richard Burt, Assistant Secretary of State responsible for arms control at the State Department, said that neither the Soviet proposal to destroy some of its new SS20 missiles, nor an earlier offer to count warheads rather than the missiles had been clarified by Soviet negotiators at Geneva.

"When we get round the negotiating table these concessions never quite appear," Mr Burt told a press conference following a one-day meeting of NATO's Special Consultative Group (SCG), the body which co-ordinates NATO policy on the medium range missile talks.

The SCG broke with tradition to meet in London rather than NATO headquarters in Brussels in an effort, officials said, to stress the unity of NATO as the December deadline for the deployment of new cruise and Pershing 2 missiles approaches. The first cruise missiles will be deployed in Britain and the Pershing 2s in Germany.

The high level group of officials issued a strongly worded communiqué which stressed that the deployments would go ahead in the absence of real concessions by the Soviet Union, though it said that missiles deployed could later be removed if agreement was reached.

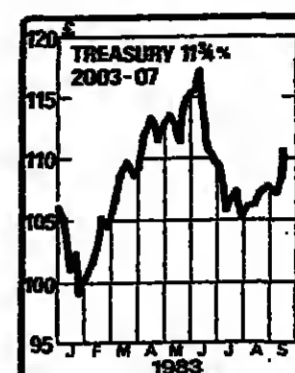
Mr Burt appeared to cast doubt on suggestions that the Soviet Union might now be prepared to drop its insistence that British and French nuclear missiles must be included in any agreement on medium range missiles, so far a major obstacle to progress in Geneva. Herr Genscher, the West German Foreign Minister, said at the week-end that following talks with Mr Gromyko, the Soviet Foreign Minister, he believed Moscow might now agree to shift the question of the British and French missiles into the start negotiations of strategic missiles.

Mr Burt said he had "really no new information" on this. Other U.S. officials have been blunter in private, suggesting that Herr Genscher made his remarks principally to meet opposition criticism within Germany to the deployment of the new missiles.

Mr Burt also parried questions about reports from Washington that President Reagan has authorised a more flexible U.S. negotiating stand at the Geneva talks. It has been suggested that the U.S.

THE LEX COLUMN

Gilt-edged in the fast lane



Over the last two Fridays, the U.S. money supply indicators have emerged far below consensus forecasts. Alongside other recent statistics, that has been enough to convince some observers that the rate of economic growth has slowed sharply. As a result, the dollar weakened yesterday; a comparison with what happened through last year may prove instructive. Then the prospect of lower interest rates encouraged purchases of dollars in order to participate in the prospective capital gains offered in the financial markets, with a flight to quality a reinforcing factor. To judge by yesterday's reaction, it seems that anyone who wants dollars already has them.

So the coupling of the U.S. and other markets now looks to have been significantly loosened, while on sterling's behalf the word petrodollars is no longer the obscenity it was. Gilt-edged to the great freedom for domestic action by the extent to which the UK money supply indicators remain outside the target suggest that there will be no imminent reduction in domestic interest rates. The authorities, meanwhile, took the opportunity to announce a new tax, transparently designed to appeal to the new rich - the building societies - while the extended terms for payment signal a certain relaxation over the funding program.

Food prices

This year's poor farming weather in Europe and the U.S. is set to create crop shortages after a period of surpluses. The reversal will create an acceleration in food price inflation, which is currently standing at a modest 4% per cent in the UK. According to London brokers James Capel, that figure could be nearer 9 per cent by the first quarter of 1984. The increase will be heavily biased towards fresh fruit and vegetables, where the increase on an annual comparison could be as high as 30 per cent by early next year.

For the food multiples the implications are unambiguous. Inelastic demand for food means that price rises are invariably reflected in higher turnover and profits, especially when cost inflation is under control, and the sector has begun responding to this prospect over recent weeks. The best gains may not be seen by retailers specialising in fresh foods, such as Sainsbury, since there may be a volume decline to offset higher prices. How-

Milk distribution

The Co-operative Wholesale Society (CWS) did not intend to cast itself as a supergrass this summer when it owned up to a long list of restrictive practices in its milk distribution business. Its admissions have unavoidably pointed a finger at many of its major competitors, however. Yesterday's action by the Office of Fair Trading (OFT) in attacking the belatedly registered practices, while in one sense a formality since the CWS claims to have abandoned them, anyway, does therefore imply the possibility in theory at least that the OFT might now be embarking on an extended cleansing campaign to promote more competition between the milkmen.

The timing of this move seems a little odd. Since the OFT decided early in 1981 not to refer the milk industry to the Monopolies Com-

mission, the level of competition has undoubtedly grown, with shop sales of milk for example, advancing from 10 to about 15 per cent of the total. The enactment of the Importation of Milk Act will shortly add further to the changed mood by allowing imports of UHT from continental Europe. Nevertheless, the OFT has clearly left itself the option to move on a broad front just as the industry was congratulating itself on almost halving the decline in milk consumption evident since 1977.

Mr Raper

After a tangled saga in which London's Takeover Panel described Mr Jim Raper as unfitted to be a director of public companies and Mr Raper complained that the Panel was a Star Chamber, operating without regard to natural justice, last weekend's concordat between the two parties comes as one of the less likely events in the City of London's history of self-regulation.

The agreement is supposed to put an end to the conditions arising from Mr Raper's takeover of St Piran, in the course of which the Stock Exchange prohibited its members from dealing with Mr Raper, and suspended the quotations of companies he controlled, including St Piran itself and its subsidiaries. The Stock Exchange Council should soon lift these prohibitions, now that the offences against the Takeover Code are held to have been purged.

Critics of self-regulation are bound to argue that Mr Raper has been too easily forgiven. The unfortunate shareholders in St Piran have not, after all, received the full price stipulated by the Panel back in April 1980. Nor will they derive much compensation from Mr Raper's current expressions of remorse. The point seems to be that this regret is accompanied by such assurances of good behaviour as to disarm the Panel's past doubts about Mr Raper. If St Piran consults the Panel in future on any ambiguities it may uncover in the Code, and engages financial advisers to keep it on the straight and narrow, all will be well.

So long as Mr Raper's plans involve the use of his quoted vehicle - Milbury - and thus rest on keeping in good odour with the City, this resolution should work well enough. But that just underlines one again that the self-regulatory system can only control people who already want to keep the rules. Two-and-a-half cheers.

Immigrants 'stretch Bonn social security'

By Jonathan Carr in Bonn

FOREIGN workers and their families in West Germany are receiving a growing share of key benefits provided by the country's sorely-stretched social security system.

A report released today underlines that foreigners there have the same legal right as Germans to social benefits, and have to make the same contributions. But it also stresses that foreigners have much bigger families than Germans, they are ill more often, and the proportion unemployed is well above the national average.

The report by the Institute of the German Economy (IWF) in Cologne makes clear the financial reasons why the Bonn Government is keen to limit, and if possible cut, the number of foreigners in Germany. Beyond that, it reveals a potential for growing social friction between the 4.7m foreigners (7.6 per cent of the population) and Germans at a time of increasing joblessness and budget stringency.

The report shows:
● The number of foreigners receiving social welfare benefits (for those in special need) has gone up sharply. In 1970, foreigners accounted for only 1.3 per cent of those receiving benefits. In 1981, the share was 9 per cent, and growing.

● Last year, DM 2,030 (\$750m) in family allowances was paid out for 1.7m foreign children (nearly 15 per cent of all children eligible for payment). The biggest single slice (DM 1.1m) went for Turkish children, followed by Italian (DM 263m) and Yugoslav (DM 226m). Changes in the system this year indicate that foreign families will have a still bigger share of children's allowances in future.

● The unemployment rate of 14.1 per cent for foreigners (May, 1983) is well above the national average (8.8 per cent) largely because foreigners are over-represented in less skilled, and hence less secure, jobs than their German colleagues.

Political outcry in France after National Front election victory

BY PAUL BETTS IN PARIS

THE ELECTION of four members of the extreme right French National Front to the town council of Dreux - a town with a large North African immigrant population, 55 miles west of Paris - caused a major political outcry in France yesterday.

It is the first time the National Front has won seats on the council of a medium-sized French town of about 35,000 people. Their election, after a bitter campaign centred on the immigrant issue, reflects the climate of racial tensions prevailing in many parts of France.

The election on Sunday at Dreux, a town which has become a case history of immigration in France, represents an important political defeat for the ruling Left. Until this year, Dreux has been a symbol of the advances of a new breed of young socialists close to President François Mitterrand and M Pierre Mauroy, the Prime Minister. These young socialists included Mlle Françoise Gaspard, the former mayor of Dreux.

But the defeat of the Left could also prove to be a pyrrhic victory for the Right. The opposition polled 55.33 per cent of the vote at Dreux, but the traditional right-wing parties, including the neo-Gaullist RPR and the centrist UDF, have been divided by their controversial decision to team up with the National Front at Dreux.

Violent demonstrations broke out in Dreux on Sunday night after the defeat of the Left. While they had been reluctant to join forces with the National Front, the RPR and the UDF decided on the alliance after the National Front polled an unexpectedly high 16.7 per cent of the vote during the first round of the elections the previous week.

Many leading members of the traditional Right denounced the alliance with the National Front at Dreux. Among the most notable dissenters was Mme Simone Veil, the former minister in President Giscard d'Estaing's Administration, who openly opposed the decision and urged voters to abstain.

Significantly, however, the turnout at Sunday's Dreux election was higher than in the first round, and the rate of abstentions much lower. This further reflected the depth of feeling caused by the race issue there.

The Socialist Government has become increasingly aware of the potentially explosive nature of the immigrant problem in France, and has just introduced new measures to clamp down sharply on illegal immigrants in the country.

M Mauroy said yesterday that the Dreux result threw what he called "a harsh light" on France's immigration problem. He renewed his Government's recently announced policy towards the issue involving, in his words, "no new immigrants, the expelling of illegal immigrants to the border, and better integration for immigrant workers who have lived with us for many years."

Editorial Comment, Page 18

Oil stocks at three-year high

Continued from Page 1

in the 17.5m b/d limit and the quotas for individual countries.

The majority within Opec are believed to be in favour of extreme caution with the present ceiling. They are worried because it has been breached and continued over-production could undermine the price structure based on a reference price of \$29 per barrel established in the spring and defended successfully since then.

Last week Dr Said Mana al Otaibi said he saw no justification for raising the ceiling.

Saudi Arabia and Kuwait are known to think that any increase in the 17.5m b/d ceiling could jeopardise the whole delicate pact on production and prices because of the disagreement and disputes over individual quotas likely to arise. For the same reason they are against

WORLD OIL SUPPLY AND DEMAND IN 1983 (millions of barrels a day)					
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total 1983
Demand	44.9	43.0	42.3	45.7	44.0
Non-Opec oil supply	24.9	25.5	25.7	25.7	25.5
Additional requirements	20.0	17.5	16.6	20.0	18.5
Opec production:					
Crude oil	15.3	15.5	15.0	15.0	15.2
Refined	0.8	0.8	0.9	0.9	0.8
Total	16.1	16.3	15.9	15.9	16.0
Supply/demand balance	-3.9	-2.2	-2.3	-2.3	-3.0
Total oil supply	41.0	41.8	41.6	44.6	41.5

Source: International Energy Agency

an extraordinary ministerial conference being convened in the wake of monitoring committee's meeting. At the same time other produc-

ers, especially Iran, are resentful that Saudi Arabia has benefited from the stronger demand for oil in the third quarter.

Stock market changes

Continued from Page 1

giving effect to them are to be put to members at an extraordinary general meeting on October 11. A 75 per cent majority is required to approve the measures.

At a meeting of the ruling council last week which discussed how the changes and the negotiated settlement with the Government was to be presented to the members, Sir Nicholas Goodson, the chairman of the Stock Exchange, warned that there were "plenty of risks" in the agreed deal.

As part of the deal the Stock Exchange agreed to dismantle by stages all the rules which set minimum scales of commission on transactions carried out in the market, with a final cut-off date of December 1986.

Sir Nicholas has told council members that unless the Stock Exchange accepts the deal with the Government its affairs could still be affected by restrictive practices legislation in the future.

Brazil set to accept IMF debt package

Continued from Page 1

have to draw up their quarterly balance sheets.

Some of these banks still face having to place their loans in a special "non-accrual" balance sheet position, unless the arrears are reduced by them.

Dr Letelier said that Brazil's commercial bank creditors, who have also blocked disbursement of a \$4.4bn loan since May, appear unlikely to resume lending until the IMF board has formally approved Brazil's new economic policies as set out in the Letter of Intent. Opposition to an immediate resumption of disbursement once the IMF Letter of Intent is signed is strong among European banks, he said.

The country's critical shortage of foreign exchange has been a source of extreme nervousness in financial markets for several weeks, leading to fears of a default on its \$900m foreign debt. Brazilian officials had been hoping for an immediate resumption of lending once the Letter of Intent was signed.

Though this now appears unlikely, the way is being cleared for implementation of the rescue package once the IMF endorses Brazil's economic programme. One factor that is likely to prevent an immedi-

ate endorsement is the IMF's wish to wait until the country's controversial new salary law, limiting wage increases to 80 per cent of the inflation rate, has passed Congress.

Regional presidents of the Brazilian Government-backed Partido Democrático Social (PDS) yesterday called for the rejection of the salary law and for overall changes in economic policy.

On Monday, the President of the Chamber of Deputies, Sr Flavio Marinho, himself a PDS member, said in a newspaper interview that a "preponderance" of congressmen were opposed to the proposed limitation of all wages to 80 per cent of the official inflation figure.

Congress is expected to vote on the controversial measure in early October. But if it is rejected, it could still be passed into law by the President himself by the end of the month.

Meanwhile, the BIS yesterday postponed formal agreement on a separate \$3bn loan to the IMF itself. This loan would boost the fund's liquidity pending ratification of its proposed SDR 30bn increase in quota subscriptions by member governments.

ENI signs funding package

By Rupert Cornwell in Rome

ENI, the Italian state energy agency, yesterday signed a £1,000m (\$625m) financing operation with a pool of 84 banks, led by the Banco di Roma, in what is claimed to be the largest such operation of its kind ever mounted in Italy.

The facility will run for 18 months, and is divided into two parts: £675m will take the form of a straight financing, while the remaining £325m will be available as a standby credit. The rate of interest is tied to the prime rate operated by the Italian Banking Association, and the three-month inter-bank rate.

The total sum being made available to ENI is double that originally sought by the agency, and the 84 banks involved include not only the biggest Italian banks, but almost every foreign bank currently operating in the country. The proceeds will be used in part to help finance ENI's huge investment programme, amounting this year to £4,300m.

The increase in the size of the facility and the speed with which it was organised reflect in part the current comfortable liquidity of the Italian banking system. But it is also intended as a signal of the credibility of ENI under its chairman for the past seven months, Sig Franco Reviglio.

His appointment last February came after a prolonged period of uncertainty at ENI. Sig Reviglio is the agency's seventh chairman in the space of five years. In 1982 the group reported record losses of over £1,700m - largely as a result of debt servicing charges and the chronic problems of its chemical sector.

Pensions system moves, Page 2

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World Weather

Area	F	C	Area	F	C	Area	F	C	Area	F	C
Africa	72	22	Europe	68	20	Asia	78	26	South America	75	24
Algeria	72	22	France	68	20	Australia	78	26	Brazil	75	24
Algeria	72	22	France	68	20	Canada	78	26	Chile	75	24
Algeria	72	22	France	68	20	China	78	26	Colombia	75	24
Algeria	72	22	France	68	20	India	78	26	Costa Rica	75	24
Algeria	72	22	France	68	20	Indonesia	78	26	Cuba	75	24
Algeria	72	22	France	68	20	Japan	78	26	Dominican Rep.	75	24
Algeria	72	22	France	68	20	Korea	78	26	Ecuador	75	24
Algeria	72	22	France	68	20	Malaysia	78	26	El Salvador	75	24
Algeria	72	22	France	68	20	Nepal	78	26	Guatemala	75	24
Algeria	72	22	France	68	20	Philippines	78	26	Honduras	75	24
Algeria	72	22	France	68	20	Singapore	78	26	Nicaragua	75	24
Algeria	72	22	France	68	20	Taiwan	78	26	Panama	75	24
Algeria	72	22	France	68	20	Thailand	78	26	Paraguay	75	24
Algeria	72	22	France	68	20	Turkey	78	26	Peru	75	24
Algeria	72	22	France	68	20	USSR	78	26	Puerto Rico	75	24
Algeria	72	22	France	68	20	Vietnam	78	26	Uruguay	75	24
Algeria	72	22	France	68	20	Yemen	78	26	Venezuela	75	24
Algeria	72	22	France	68	20	Zambia	78	26	Zimbabwe	75	24

Headlines at midday yesterday:
C-Clearly D-Drizzle F-Fog Gy-Fog H-Hail H-Hail S-Sun SI-Sleet So-Snow T-Thunder

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FINANCIAL TIMES SURVEY

The Netherlands

BANKING, FINANCE AND INVESTMENT

Radical approach to restore prosperity

FOR GENERATIONS there has been no equivalent of Skid Row in the Netherlands. Social concern and prosperity have ensured adequate provision for all. In 1983, as the world economic recession batters the Dutch economy, that capacity to cope is being strained to its limits. Steps have had to be taken to ensure recovery and every section of society, from top bankers to the unemployed, has been forced to play its part.

Mr Ruud Lubbers, the affable, born-to-money industrialist who serves as Prime Minister in the Christian Democrat-Liberal coalition that has governed since last November, seems an unlikely candidate to see through this new industrial revolution. A moderate man with an active social conscience and a willingness to please, he does not appear to have that quality of Thatcherite steel in his make-up that might be thought essential to the taking of tough decisions.

The facts, however, belie any such analysis. Under Mr Lubbers the Dutch Government has acted with more resolve and unforgotten determination to rebuild economically from the bottom up than any other administration in Western Europe. Politicians and social theorists may dispute the value of what has taken place in the Netherlands in the past year. Few, though, would doubt that it has been radical.

Unemployment, which in the 1960s and early 1970s was so low that one former Minister

cannot recall discussing it in cabinet, now stands above 900,000. That is an estimated 17.3 per cent of the working population and the most serious statistic of its kind in the European Community. Mr Lubbers is known to be concerned about the situation. Yet he has steadfastly refused to do anything that might create work on a large scale. On the contrary, he has seen to it that, in the public sector, as many jobs as possible are axed. His argument is that it is only economic recovery that can re-establish jobs that matter—jobs with a future.

The welfare state—generous, beneficent, essentially tolerant, and in some ways modern Holland's proudest boast—is in intensive care and the Labour opposition in Parliament would argue that its life-support system may be switched off. Hospitals have been closed, 8,000 teachers and lecturers are to be dismissed, secondary education may cease to be entirely free, child benefits are to be frozen, disability and unemployment payments are to be reduced by 3.5 per cent. Ministers stress that they are merely scaling down a network the nation can no longer afford. The system itself will remain. But for a people used since the 1950s to "unending" growth the shock has been profound.

Taxes to be eased

On the industrial front taxes are to be eased to encourage increased investment and stimulate profits while personal taxation is to rise. Only those companies with clear potential for growth are to receive state aid. RSV, the giant shipbuilding and engineering group, was struck from the list. The holding company went bust and 6,000 workers were added to the dole queues.

In all the Government intends making savings in 1984 worth Fl 11.5bn. Public borrowing in the Netherlands rose from 44 per cent of Gross Domestic Product in 1979 to 84 per cent

last year, while the budget deficit this year, including the effect of borrowing, is expected to reach 11.5 per cent of national income, or 10.3 per cent of Gross National Product. The Cabinet's aim is to reduce this latter figure to 7.4 per cent in the life of the present Parliament; to do this public spending must be cut ruthlessly all along the way. Savings of Fl 15bn were instituted this year and the 1983 financing deficit should work out at around Fl 37.5bn.

As illustrations of how tough the coalition is prepared to be Mr Bert de Vries, floor-leader of the Christian Democrats, last month pronounced himself "happy" about the pay cuts to be borne by civil servants next year (the net effect of which is around 6.5 per cent) while Dr Rudolf de Korte, the Liberals' financial spokesman, said that all cuts should be "real and actual" with reductions in welfare benefits exceeding even those in wages.

Will the medicine work? Manufacturing output, seasonally adjusted, fell by 1 per cent in June compared with May. In the second quarter output was marginally greater than in the previous two quarters but still 3 per cent down on the April-June period of 1982. Only the chemical industry appears so far to have made any significant gains.

In terms of trade there was a Dutch surplus of Fl 8bn for the first six months of this year, a decrease of 5 per cent over first-half 1982. Mr Lubbers has forecast an annual surplus on the current account of the balance of payments of Fl 10bn—slightly up on the adjusted Fl 9.8bn recorded last year—but analysts think he may be underestimating the potential now available. A total of Fl 11bn-F12bn now appears far from impossible. Sales of natural gas, which fell badly last year, picked up 1 per cent in value and 7 per cent in volume in the six months to the end of June, and if this improvement, as seems likely, can

The capacity to cope with the world recession has strained the Dutch economy to the limits. Austerity prevails as every sector is forced to play its part towards recovery

RESULTS OF MAJOR DUTCH BANKS (1983 1st half—Fl m)

	Gross profit	Per cent increase	Net profit	Per cent increase	Debt provisions	Per cent increase
AEN	690	31	228	22	248	32
Rabo	756	25	301	24	315	33
Amro	632	51	106	22	475	58
NMB	385	50	55	9	290	66
NCB	47	12½	6.3	10	40	59

This survey was written by Walter Ellis, Amsterdam Correspondent

be sustained, government revenues should be greater than previously expected.

Exports of manufactured goods and commodities rose by 2 per cent in value to Fl 93bn, while imports moved ahead by 3 per cent to a total of Fl 85bn. The strong dollar aided the process. Exports to the U.S. mainly of machinery, fuels and chemicals, jumped by 34 per cent to stand at a six-month total of Fl 3.5bn. Statistics for trade with the UK were somewhat of an exception to the general pattern. Exports to Britain fell from Fl 8.4bn to Fl 7.9bn, while imports eased from Fl 7.8bn to Fl 7.3bn—a drop of 7 per cent in both cases. The rate of inflation throughout has remained evenly low. Between mid-June and mid-

July the cost of living rose by 0.5 per cent, the same rate as during the equivalent period last year. According to the Economics Ministry in The Hague, the year-on-year rate dropped to 3.7 per cent in June compared with 4 per cent in May. It could yet be the case, as the Government and the central bank have predicted, that the December figure will have dropped as low as 2.5 per cent. Further falls are on the cards for 1984.

With industrial productivity high and still improving and with inflation falling, even the strong guilder (much improved from its temporary weakness following the realignment of the European Monetary System in March) is unlikely to do much to dent Dutch com-

petitiveness. The Nederlandsche Bank has always argued that a robust guilder, operating in tandem with the Deutsche-mark, keeps imports cheap while not harming exports. This logic would not apply in every country, but Dutch manufacturing, despite its other problems, has consistently operated efficient production lines, and the de-maning that has accompanied the recession has done much to aid the process.

The Nederlandsche Bank's major pre-occupations this year, aside from concern over the growth of a "hot money" circuit, have once again been interest rates and the preservation of liquidity in the Dutch money markets. The bank, under Mr Wim Duisenberg, has joined the Government in calling for a continuing reduction in interest rates and there have been various exhortations made to the U.S. in this connection.

Simultaneously, however, the Government's urgent need for cash from the capital markets has caused bond rates to climb again. In mid-June, a record Fl 8.5bn was raised through a state loan fixed at 9.5 per cent and since then rates on the domestic market have declined only marginally, to stand at around 9 per cent. But even this high level of attraction has proved unable on its own to keep the markets moving.

The problem has been simply lack of cash and it was in an effort to ease the financial drought that the Bank twice recently bought large volumes of dollars, thus releasing a flood of guilders into general circulation. When this first happened, in August, other central banks were desperately trying to sell dollars in a bid to depress its freemark rate, and there were raised eyebrows in various quarters abroad when the Netherlands was not seen to be playing its part. Last month, on three occasions, the position was further eased by special short-term loans to the markets through the banks valued collectively at Fl 11.2bn.

This rise in money supply in the Netherlands has been somewhat below the Western average. At the end of August the rise on the restricted M1 basis was 9.5 per cent compared with 10.9 per cent in West Germany, 7.2 per cent in Belgium, 14 per cent in Britain and 13.4 per cent in the U.S.

Interest rates generally have held fairly steady, with money market rates standing at around 5.5-5.25 per cent. Once this year the central bank has altered its rates without reference to the Bundesbank. Generally, though, concerted action has been maintained as the Dutch keep to their habit of ensuring that the West German economy and financial systems remain as accessible as possible to Dutch business. The key bank rates now stand at 5 per cent for promissory notes and 5½ for the secured loan rate.

Revival

The commercial banks, operating one link further down the chain, have enjoyed a significant revival in their fortunes this year so far. Provisions for debt have continued high but both gross and net earnings are in most cases well up, while Dutch company bankruptcies—an important source of bank losses—are beginning to move down after the record peaks of 1982 and the early months of 1983.

Insurance companies and the Dutch internationals—Royal Dutch/Shell, Unilever, Philips and Alcoa—have also reported improvements in their results. Lesser companies have enjoyed mixed fortunes, with the trend generally gently up. In the main it has been the traditional industries, especially steel and shipbuilding, which have remained recession-bound. Businessmen are unwilling to forecast that the good times are coming back—and with 800,000 workless not everyone could be expected to concur if they did. Nevertheless, there

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has been a measurable improvement in orders and there is a feeling among entrepreneurs that the tide, at last, is on the turn.

Amsterdam's Bourse, and the European Options Exchange have reflected this rebirth of confidence in a slightly hysterical way, with each enjoying record highs on so many occasions recently that it has ceased to be news. Wall Street may set the pace, the Dutch are happy to maintain it. More cautiously, investment has been picking up, particularly in the energy sector. Oil has been discovered in the Dutch sector of the North Sea, causing analysts and Government to announce that the Netherlands might—just might—be up to 35 per cent self-sufficient in oil within 3-5 years. Gas sales are also moving up, under strong pressure from the Treasury.

The Dutch, as their own Calvinist conscience keeps reminding them, are today paying the price for the prodigal, gas-fuelled years that ended so abruptly in 1980. The rebuilding that is now going on, with Mr Lubbers as a reluctantly stern foreman, will be slow and painful and it could be a very long time indeed before the mass of the unemployed feel the benefit. What there is movement, and it is in the right direction.

Face the facts.

NMB Bank's key figures as at December 31, 1981 (in millions of Dutch guilders - 1 US\$ = Dfl. 2.47).

Balance sheet total	Dfl. 55,513
Total deposits	Dfl. 52,383
Debtors	Dfl. 32,100
Total shareholders' equity and subordinated loans	Dfl. 2,163

Some highlights from our 1981 Annual Report (54th financial year):

- The combined balance sheet total increased in 1981 by 16% to more than Dfl. 55 billion.
- Debtors increased by 12% to more than Dfl. 32 billion from Dfl. 28.661 billion at the end of 1980. This increase is largely attributable to the growth of our foreign loan portfolio.

- As part of our branch office programme, a number of NMB branches were opened in 1981. The total number of NMB branches at home and abroad amounted to 481 at the end of the year, with employees totalling 10,918.

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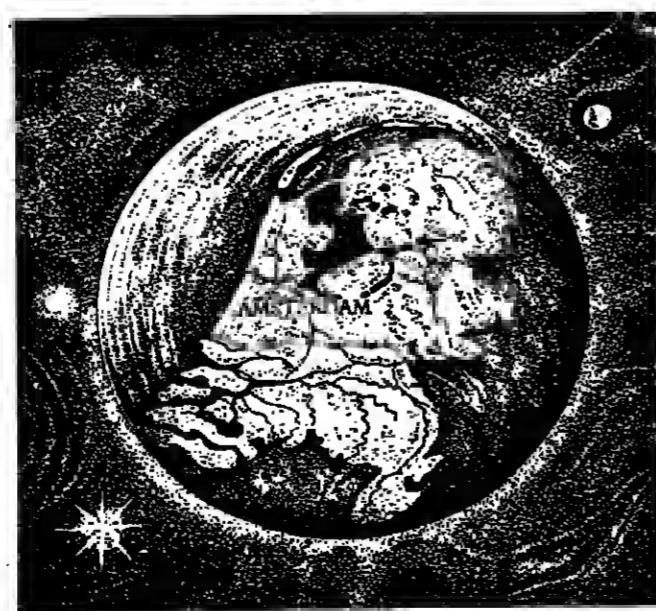
- Revenue from stock exchange business again showed an even greater percentage rise than overall stock exchange turnover.

- Eurodeposits accounted for 18% of the combined balance sheet total.

If you wish to receive our 1981 Annual Report please contact our nearest NMB Bank office or NMB Bank Amsterdam, P.O. Box 1800, telex 14402. Nederlandsche Middenstandsbank (Suisse) S.A., 6, Rue Petrot, Case Postale 59, CH-1211 Genève, Suisse. Telephone: (022) 216333, telex: 422299 nmbg ch. Branches in: Bulle, Lausanne, Fribourg and Neuchâtel. Nederlandsche Middenstandsbank (Schweiz) A.G., Glarischstrasse 34/36, CH-8002 Zürich, Schweiz. Postfach 4623, CH-8002 Zürich, Schweiz. Telephone: (01) 2026700, telex: 53256 midb ch. *Specialised in portfolio management.

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NETHERLANDS BANKING II

Results so far this year show welcome recovery

Whiff of revival in the air

The Banks

CONSOLIDATION is the dominant theme of Dutch banking this year. There is a whiff of economic recovery in the air and, having buttressed themselves against the vicissitudes of recent years by means of greatly increased provisions for debt, the banks hope that results for 1983 will mark at least the first tentative step out of recession.

Signs so far are encouraging. First-half earnings are in most cases well ahead of the opening six months of 1982 and provisions, while still heavy, are at least increasingly at a reduced rate. By nature cautious, Dutch bankers are unwilling to put up posters announcing of the recession that "the end is nigh." In private, however, they have begun to exude confidence again, while even their public statements cannot conceal their feeling that something, somewhere, is on the mend.

The major institutions, and many of the smaller, have been occupied with re-examining their organisational and market structures and in some cases gearing up for a more specialised approach. The bigger banks, it may be said, continue to gaze overseas in search of profit opportunities while lesser fry investigate the possibilities of the domestic pool. All are looking for new ways of making money and—only partly out of altruism, it is true—of helping Dutch industry get back on its feet after the last few difficult years.

Little changed

Little has changed in the line-up. As before, Algemeene Bank Nederland (ABN), Amsterdam, Rotterdam Bank (Amro), and Nederlandse Middenstandsbank (NMB) are the big three commercial banks. Rabobank, the co-operative giant, is in terms of gross profit, earnings and number of branches the biggest bank of all and over the past two years has been stretching itself in important new directions. Nevertheless, because of its confederate and co-operative status (it is not listed on any stock exchange) it is in a category of its own.

Next come the Nederlandse Credietbank (NCB) and Slavenburg's—the latter now renamed Credit Lyonnais Bank Nederland—and then the mortgage and savings banks. Mees and Hope and Pierson Helderling and Pierson, the two best-known Dutch merchant banks, are owned respectively by ABN and Amro, but P. van Lanschot remains independent in this sector and is one of the most profitable small banks in the Netherlands.

From a pure news standpoint, of course, the main feature of interest this year has been the so-called Slavenburg's affair—involving the arrest on fraud charges of 11 top past and present officials of the

Rotterdam-based bank—and the more general allegation of participation in a black money circuit. Among those arrested was Mr Rudolf Slavenburg, a former chairman of the Board of Management. Bank earnings and provisions remain, though, the key indicators of performance in the sector and here, while 1982 was undoubtedly a bad year, things are certainly looking up.

Last year the big four banks (ABN, Amro, Rabo and NMB) added a total of Fl 2.58bn to their debt provisions—an increase of 47 per cent on 1981. Normally the provisions of the remaining banks would have added a further 10 per cent to the total cash figure. But the allocation by Slavenburg's, intended mainly to cover against fraud, took the final amount to just over Fl 8bn—a record. In the five years between 1978 and 1982, the Big Four added nearly Fl 7bn to their provisions and the banking sector as a whole some Fl 7.8bn.

Closely guarded

How much of this cash has been drawn down is a closely guarded secret. A report published in the authoritative NRC Handelsblad in May estimated that in 1981 Fl 3.2bn was used—Fl 1.2bn more than had been added. If this is accurate and if such a disproportionate draw-down has continued since, the case for large-scale provisions is likely to continue for some time beyond the beginnings of the economic revival.

That revival—at least from the point of view of the banks—is already underway. Earnings at ABN in the first six months of this year rose by 22 per cent to Fl 225m. Gross profit, often considered a more reliable indicator of performance, surged ahead by no less than 30.5 per cent to 690m, while provisions against debt moved up from Fl 248m for first half 1982 to a new total of Fl 324m—an increase of just under a third. Dividend per share held steady at Fl 13.

Amro too has had a happy start to the year. Net profit came to Fl 106m compared with Fl 87m in the first six months of 1982—a 22 per cent improvement—while the gross position shot up by 51 per cent to Fl 632m. Total income for the first half was Fl 1.7bn. Provisions were once again high (Fl 475m—up 58 per cent) but there is reason to believe that, as with ABN, the build-up of reserves is both prudent and affordable, leading in the long run to a more balanced picture. The interim dividend was set at Fl 1.50, payable either in cash or in cash and shares.

At the NMB there has also been an improvement but in this case it has been held back partly by the cost of a restructuring plan and partly by the bank's above-average dependence on the fortunes of the domestic market.

Provisions jumped by 66 per cent to Fl 290m, well over half the Fl 500m allocated in the

whole of 1982. Even so NMB, in which the Dutch state has a 22 per cent holding, still saw earnings increase by 9 per cent, to Fl 55m, with gross profits 50 per cent up, at Fl 385m. With Dutch industry beginning to show some signs of recovery the bank can expect to further strengthen its position over the next few years.

The NCB has for several years been overshadowed by its larger rivals. Not big enough to compete in the international field but still a fully functioning commercial bank, with universal facilities, it has been running faster and faster in an attempt to stand still. Earlier this year there were rumours that Chase Manhattan of the U.S., owner of 31.5 per cent of NCB equity, was either going to sell out or else increase its holding. Neither possibility has been confirmed.

Meantime net profits have edged up by 10 per cent, from Fl 5.7m in first half 1982 to Fl 6.5m at the end of June this year. The gross result, at Fl 46.8m, was 121 per cent up but in both cases the base figures are relatively small. Since last autumn the bank has been engaged in shutting down 40 of its smaller branches, with the loss of 400 jobs, while gearing itself up to cope, technologically and organisationally, with a higher involvement in corporate financing. As with the NMB, better things lie ahead.

Of Slavenburg's—Credit Lyonnais Bank Nederland—a great deal has already been written, with more to come when the various fraud cases eventually come to trial. But as a bank under the new French-imposed regime of M Georges Vigon, it is on the way up again. In the sense that it hit an all-time low this year and was then taken by the scruff of the neck and relaunched, with a new name, new management and fresh capital, it has to be a good investment. The earnings figure for the first six months was nil, with the Fl 14.5m surplus after tax and third party commitments being added to provisions. Gross profit came to a mere Fl 24.8m, against Fl 42.5m 12 months earlier, and the balance sheet total fell from the December 1982 figure of Fl 11.5bn to Fl 10.9bn.

These figures though, following an extraordinary, fraudulent loss of Fl 203m, are likely to represent the low water mark. Credit Lyonnais of France, which now owns nearly the entire share capital, is determined to complete its clean-up and get things moving again.

If this look at the Netherlands' commercial banks has seemed to concentrate on the three smaller institutions, this is because they have been busiest in picking themselves up after being, to a greater or lesser extent, jostled by the recession. Amro and ABN have also been hit of course—especially the former, which found 1982 and 1983 a couple of tough years.

But both are very big organisations, with a degree of expertise and resilience that was bound to carry them through. Each is highly active

on the bonds and money market fronts and hardly a month passes without some large company announcing that one or other is lead-managing an international syndicated loan in the fields of Dutch exports or overseas expansion.

Then there is Rabo. This Utrecht-based agricultural co-operative bank is so much more than it seems that it is becoming difficult not to regard it simply as a universal commercial bank. What distinguishes it from the others is its structure of ownership (co-operative and federated, strongly tied to the regions and farming) and the fact therefore that it is not a public company.

Rabo is profitable. In the first six months of this year it earned Fl 301m, a 24 per cent improvement on the opening half of 1982. The gross profit was Fl 758m—a rise of 25 per cent—while the risk provisions went up by 33 per cent to Fl 315m. The bank this year opened a representative office in London to add to its branch in New York, office in Frankfurt and subsidiary in Curacao and embarked for the first time as lead-manager on the international bond market. At home it noted a slight pick-up in the demand for credit and the beginnings of stability in the housing market after three dreadful years of falling prices.

Housing demand

The partial recovery in housing prices and demand also accounts to some extent for the improvement in the prospects of Westland-Utrecht, biggest of the independent mortgage banks. Last year Westland-Utrecht was in serious trouble and recorded a loss of Fl 147m. There were even fears that it would collapse entirely, throwing the whole mortgage sector into disarray. But while this year's first-half loss was held to only Fl 14.7m—a 30 per cent improvement on 12 months previously—much of the revenue that made this possible came from a massive sale in February of property valued at Fl 375m.

A much smaller mortgage bank, the Tilburgse Hypotheekbank, has been less lucky. Even assistance from the Dutch central bank did not help it and last month it filed for bankruptcy. Friesch-Groningsche Hypotheekbank, which last year lost Fl 51m, came back however, with a net loss of only Fl 1.3m for the first six months after the addition of Fl 27.5m to provisions. A similar picture is expected to emerge for 1983 as a whole.

Savings banks in the Netherlands have continued to suffer from competition and fragmentation. The biggest, Centrum Bank, formed in 1981 as a result of the biggest amalgamation in the 161 years of the savings bank movement, has however, shown that strength can lead to improved financial results. In 1982 the Centrum Bank—which is because of its early change of name—recorded earnings of Fl 41m—up 11 per cent on 1981—and had a balance sheet total of more than Fl 8.7m.

Probe into 'black money' circuit

Commission of Inquiry

THE PAST year in Dutch banking has been one in which the dark side of the business emerged somewhat luridly into shadow—at least in the public mind—the conduct of normal operations. While banks generally were busy themselves with the proper maintenance of earnings, there were persistent allegations of widespread fraud centering on the processing of "black" or undeclared funds.

Most spectacularly, the Dutch fiscal police carried out raids in February on the Rotterdam headquarters and two branches of Slavenburg's Bank, the sixth largest in the country. They were looking for evidence of fraud and what they found led eventually to the arrest of eight past and present top officials of the bank. The raids were, naturally, traumatic for Slavenburg's, which has since changed its name to Credit Lyonnais Bank Nederland as part of a drive by its French owners to restructure and start afresh. But previous reports in the Dutch press concerning the existence of an extensive black money circuit had made all of the banks nervy. Slavenburg's troubles were perceived by many as but the most acute symptom of an all-infecting malaise. Questions have since been asked by ordinary men and women about the propriety of their domestic banks which previously would have been directed solely at certain institutions abroad.

Because of the disquiet the Tax Department of the Finance Ministry, together with the Central Bureau of Statistics, was last month ordered to investigate the 1981 bank accounts of 1,000 Dutch households selected at random. As

many as 3,000 accounts will be examined (out of a national total of nearly 11m) and the results of the inquiry will be sent to the Minister of Finance, who will then report to Parliament. MPs are expected to debate the subject next spring.

Not surprisingly there have been several expressions of concern about the breach of privacy that will be an obvious consequence of the inquiry, but the central bank and the banks themselves have pledged their co-operation, so that if there is "black money" in the system to any significant degree, some at least is likely to be revealed.

Mr Herman Ruting, the Finance Minister, had first called for an investigation by the Public Prosecutor's Office and there was then talk of an inquiry by the Fiscal Information and Research Bureau. Mr Ruting has, however, chosen to keep the matter out of the hands of the Justice

Ministry at this stage—no doubt in order not to be seen to pre-judge the issue—and is clearly concerned that no damage should be caused to confidence in the banking system.

Serious view

That confidence in the system should be called into question in the first place is a measure of how seriously the Government views the situation. Ministers are worried that some branches of at least some banks have been engaging in unlawful dealings—the "laundering" and exporting of funds on which no tax has been paid in the Netherlands. Nieuwe Revu, the Dutch Left-wing magazine, alleged last December that two of its journalists, posing as businessmen, had been offered help by banks throughout Holland in the processing of black money. The assistance was on a virtual

over-the-counter basis. Other papers quickly took up the story and the publicity was such that Mr Ruting himself demanded immediate action. Within days new guidelines had been drawn up by the Association of Dutch Bankers setting out the responsibilities of banks in the context of the revenue authorities. It was made plain that the banks had a duty to ensure that their involvement with clients' money was at all times in conformity with the law.

At the same time Mr William Duisenberg, Governor of the Dutch Central Bank, delivered a homily from Amsterdam on the subject of banking ethics. He warned bankers against the dangers of giving in to temptation but conceded that black money, like the poor, would always be with us. More recently, in his foreword to the Bank's annual report for 1982,

CONTINUED ON NEXT PAGE

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NETHERLANDS BANKING III

Halo slips as shareholders react to malpractice inquiries

Central Bank

NO ONE in Dutch banking circles would dispute the sanctity of the Nederlandsche Bank (the central bank) which for generations of money men has been a model of the true faith, combining shrewdness with probity and extolling the virtue of honest profit. Equally, there can be few who would deny that in recent months its halo has slipped a little.

First, in February, there was the Slavenburg affair — the long-running saga of the uncovering of alleged fraud inside the country's sixth-biggest bank. What happened at Slavenburg's is detailed elsewhere in this survey. For the central bank the problem was that, in public at least, it turned out to be as shocked as anyone else when the fiscal police raided Slavenburg's headquarters and began a series of top-level arrests.

Questions were at once asked about the bank's capacity to monitor illegal goings-on within the commercial systems. The reply of Mr Wim Duisenberg, president since the beginning of last year, that it was not his job, or that of his staff, to inter-

vene in day-to-day banking activities was not wholly convincing.

Mr Duisenberg flayed those bankers who succumbed to the temptations of the black-money circuit but advanced the argument that criminal activity was a matter for the police. There is, of course, a kernel of truth in this. Even so, if the central bank is to maintain its deservedly high reputation as a prudential supervisor, it surely cannot afford to let large-scale malpractice slip through its fingers.

Difficulties

The second, and more recent, cause for the bank's discernible descent from grace concerns the Tilburgse Hypotheekbank, a small mortgage bank which ran into serious difficulties last year as a result of the disastrous slump in Dutch property prices which began in 1979. Concerned about the possible loss of confidence that might ensue from the collapse of even a small bank, the central bank sent in a team of caretakers to put the Tilburgse back on a sound footing, using the granting of a moratorium on repayment of debt as a temporary financial shield. Last week the Tilburgse went bust and the official receivers made formal application for bankruptcy.

Shareholders were outraged

not so much by the collapse as by the fact that the bank had gone on trading as usual right up to the end, handing out mortgages and issuing bonds. Investors stand to lose millions and many feel that someone high up should have known better.

Other disgruntled investors are the burgers of the four Dutch towns of Urk, Billegom, Monster and Nieuwegein, who are to appeal to the High Court of Appeal against a lower court ruling that the central bank was not responsible for the consequences of a second bank collapse. The four town councils had invested a total of F1 11m in the Amsterdam-American Bank, which was forced to close down in October 1981. The councils got back only F1 3m of their money and believe that the central bank should have been in a position to warn them in good time of the approach of disaster.

The Association of Dutch Municipalities is backing the four towns and the proceedings could yet prove embarrassing for the central bank. Even if it is confirmed that, technically, it bore no responsibility, people will wonder anew why no alarm bells ever rang in the Nederlandsche Bank.

In other areas too Mr Duisenberg and his senior colleagues have not found the going as smooth as they would

have wished. Regulation of the guilders is, along with supervision of the commercial sector, the primary function of the central bank. Yet as events proved during the realignment of the European Monetary System (EMS) on March 21, it is the Government that takes the decisions.

The extreme weakness of the French franc, it will be recalled, had persuaded the Mauroy Government in Paris that an immediate shift in EMS parities was urgent. The Dutch were unhappy about the proposed changes, and Mr Herman Ruyter, the Finance Minister, clearly went to the ministerial council meeting in Brussels determined to ensure that, whatever else happened, Dutch competitiveness would not be damaged by outside interests.

Devalued

In the event the franc was devalued within the system by 2.5 per cent. But while the Deutschmark moved up by a full 5 per cent, the guilder was revalued by 3.5 per cent only, thus creating a 2 per cent gap between it and its German sister-currency.

For years the guilder and the D-mark have moved in parallel and the link remains a fundamental aspect of central bank policy. Mr Pieter Korteweg, the

Dutch Treasurer-General, said two days after the Brussels meeting that the West German authorities were well aware of the unique nature of the Dutch action. It was the D-mark which had moved up too far, he said, and not the guilder, which had lagged behind.

Meanwhile it had become clear that the central bank had fought a rear-guard action against the unequal revaluation. Mr Ruyter told the Dutch Parliament that the bank's recommendation had been to keep the guilder abreast of the D-mark and that its subsequent position was that there should be no repetition of the events of March 21.

Generously, in the circumstances, Mr Ruyter read out to MPs the core of the bank's thesis: "The parallel relationship between the guilder and mark in recent years has brought the level of inflation in this country down to one of the lowest in the world and made a cut in interest rates possible... to preserve these positive trends the guilder must keep pace with the mark in subsequent readjustments of currencies within the EMS."

Mr Ruyter, who had already indicated that on future widening of the gap was anticipated, pointed out that the bank had been acting mainly on monetary

premises. The Government, he said, had also been guided by economic concerns, including the country's competitiveness.

A storm in a teacup? Perhaps. But aside from the dual impact on trade in the Netherlands and West Germany, the incident is an illustration of the primacy of politics over fiscal purity.

In fact that primacy is set out in the Act of Supervision of the Credit System, which charges the central bank with monetary and prudential control while leaving final responsibility for monetary and structural policy to the Government. What is worth noting is that the two institutions normally work in such close harmony that disputes are extremely rare and power play irrelevant.

Certainly there is no hint of ill-feeling between government and bank. Mr Andries Sas, director of external relations at the latter, told the *Fleetsaal* Times that priority had to be given to a strong currency if low interest rates were to be maintained. Improved productivity would, meanwhile, respond to the needs of the market by spending some F1 733m last month in the purchase of U.S.\$247m.

Other central banks around the world were frantically selling dollars in a bid to halt the

Since March the guilder has been weak within the EMS but both it and the D-mark have recovered a lot of lost ground during the summer and are now in a better state of health. For a time, post-realignment, what determined the money market rates was the reversal of the previous situation. The guilder appeared weak and the D-mark even weaker. Intervention was required and at the same time rates drifted up again, spurred, ironically, by the Government, which needed to raise large volumes of cash through highly priced state loans. The top rate in mid-summer was 9 per cent and market rates, hit by this top of the sector lure, have descended again only gradually.

Surcharge

The banks, which have been issuing their own bonds at the newly established rates of interest, have at the same time been forced to impose a 1 per cent surcharge on overdrafts and have been critical of the central bank for not acting first to push up rates. For its part the bank felt compelled to respond to the needs of the market by spending some F1 733m last month in the purchase of U.S.\$247m.

Other central banks around the world were frantically selling dollars in a bid to halt the

American currency's heady rise but the Nederlandsche Bank saw the increase of Dutch market liquidity and the maintenance of low interest rates as its first responsibility and acted accordingly. It recognises that the Dutch economy is climbing out of the world recession more slowly than those of its competitors and wants to do nothing that might further slow the process.

Mr Sas argues that raising interest rates, while indeed aiding the liquidity of the markets, has undesirable effects on other areas of policy. Normally, he says, it is easier for a relatively small country like the Netherlands to adapt its internal policies to the external requirements than it is for a large country such as France. "A small country realises that the international requirement is vital. A large country can retain the illusion of autonomy."

One last thing: If one measure of a bank's success is the money it makes, then the Nederlandsche Bank scores. In 1982 net earnings came to F1 16bn — a 21 per cent improvement on 1981 and by far the best performance of any bank to the country.

Probe into 'black money' circuit

CONTINUED FROM PREVIOUS PAGE

Mr Duisenberg mused on the dilemma black money posed to the central relationship of trust between a banker and his client. He also made it clear that, ultimately, the problem was not one for him and his staff.

"The crime of evading taxes and social insurance contributions must be combated by the judicial and fiscal authorities. Where it is a matter of tracing an evader of taxes or social insurance contributions, the co-operation of the banks, too, may be asked and must be given. However, one of a bank's essential functions consists in the custody and management of funds entrusted to it by its customers. The loss of trust in a bank spells its demise. The basic principle must be respected in the prosecution policy, as indeed it is internationally, on pain of the loss of the banking system's functions."

Mr Duisenberg concluded: "The Netherlands Bank exercises prudential supervision over the banking system. This

supervision is directed towards those aspects of a bank's operations which are specified by law. It is these aspects for which the Bank is equipped and on which its control is focused. The Bank supervises banks, not their customers. If the Bank, when exercising its supervision, comes across activities which appear improper, it takes steps to terminate these activities. Not only does this put an end to unlawful acts; it also removes the threat which such acts pose to the interests which the Netherlands Bank has a duty to protect in a more direct manner, viz. the reputation of, and hence confidence in, the banking institution concerned. An active role in combating black money cannot be undertaken by the bank. The Bank cannot and should not be asked to assume duties which the law has (rightly) not imposed upon it."

Commercial banks are equally opposed to the idea of disturbing the trust relationship. It has been suggested that the revenue authorities should have

greatly increased access to information on bank accounts. But Mr Pierre Lardinois, chairman of the executive board of Rabobank, the giant co-operative, spoke for all of the Dutch banks when he told a parliamentary commission in January that the result of increased access might well be a flight of capital from the Netherlands.

Later in the year Mr Andre Batenburg, chairman of Algemeene Bank Nederland (ABN), the country's largest universal bank, went further. He claimed that as a consequence of client uncertainty and the extent of tax demands business clients were already exporting undeclared thousand-guilder notes virtually by the barrow-load. If banks were at times prepared to assist in such transactions, he seemed to imply, customers were quite willing to go it alone if required. Mr Batenburg said that the rate of outflow could lead to a flight of F1 2.8bn to F1 3bn this year. Mr Ruyter at once looked into the situation and in April he told MPs that he was unable

to confirm Mr Batenburg's forecast because he did not have the necessary information. In a written reply to questions from several members he agreed that there had been a "substantial" increase in the outflow of Dutch money in 1982. But this, he said, could not be construed as a capital flight, since the increase could be due in part to tourism imports and inter-bank money transfers.

The position for 1983 will not be known until next spring. It does seem likely, however, that the increase in the export of large-denomination notes will be up on last year. The Slavenburg affair has made investors edgy and the likelihood of a general clean-up is bound to have its effect on those who boost their accumulation of wealth by tax evasion.

What is clear is that there is a drive ahead to restore the good name of Dutch banking, with the government, parliament, the central bank and the banks themselves all involved. It should help to clear the air.

Did Peter take the plunge into options? And does Bill still stubbornly refuse to be convinced?



"Shall we have a drink at the bar?" Bill suggested, not showing the slightest inclination to look for a table.

"Fine with me," answered Peter, carefully putting his folded newspaper back onto the bar.

Bill eyed the paper. "Ah," he anticipated, "you've taken the plunge into options?"

"No, not yet."

"Then why the newspaper?"

"If you remember, after our last meeting you were still unconvinced as to the — in my opinion — excellent opportunities offered by options."

"True enough."

"And I said I'd been making a dry run... following the fortunes of options just as though I'd bought them?"

"I remember, you made quite a fuss over the profits you would have earned."

"Now I want to show you something else," said Peter, opening the paper alongside a cutting dated a couple of months earlier.

"If I repeat if I'd bought this call option four months ago," and he ran his finger down the list, "it would have cost me £150."

"Oh, is that all?" Bill raised an eyebrow.

"Now have a look at yesterday's FT. The same option is worth £230 simply because the share behind it rose almost 3%."

"So... if you'd bought the shares instead of the options, then..."

"Then I'd have earned just under 3%. And this way, 50%. That's what can happen with options. Does that convince you?"

"But... if the shares had fallen?"

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NETHERLANDS BANKING IV

Equities lead heady boom

The Bourse

THESE ARE heady days for the Amsterdam Bourse. The boom in equities which began in the latter half of last year has continued virtually unabated ever since, with fresh highs being declared on the ANP-CBS index almost every week. Indeed in March, for the first time in several years, shares outperformed bonds; that pattern has persisted ever since.

Bond issues, so sturdy last year, have these days either to offer inflated coupons or—as with recent issues by Philips and KLM—provide an equity link.

State loans, which to a considerable extent determine the pace of the Dutch bond market, have had their ups and downs this year. In January the Government raked in F1 5bn (21.4bn) on a 7.5 per cent issue in only a week. The next two issues, however, with coupons of 7.75 and 8.00 per cent, raised little more than F1 4bn between them and it was left to a glittering 9.5 per cent issue in June to redress the state's image and bring in the required volume of cash—in this case F1 8.5bn. The Finance Ministry was pleased to have secured enough at last to enable it to stand away from the market for a time but both it and the Central Bank were hoping that 9.5 per cent would mark the year's peak for rates.

Rates for bonds generally flattened out in February and March. Several factors were at work. Long-term investors had placed their money in deposits, which they liquidated and turned over to bonds only over a period of time. Institutional investors, who after higher rates, while foreigners, worried at the time about the West German elections, stayed committed to short-term rates.

In February, rates fell below those of Germany. The Chancellor Helmut Kohl was confirmed in office and the yield differential was somewhat repelled. Funds began to flow again between the two deeply interlocked economies.

The March realignment of the European Monetary System (EMS), carried out at the insistence of France, was the next significant event for Dutch rates. Against consistently stated policy, the guilder moved out of line with the Deutsche mark. The Dutch currency was revalued by 3.5 per cent, while

the D-mark went up by a full 5 per cent. The net effect in terms of competitiveness was said by the Ministry to be zero but foreigners were surprised and there was a further shying away from the Dutch bond market.

At home industry and investors alike were short of funds, while a number of foreign holders of guilder notes sold their interests and moved elsewhere. Meanwhile, the Government continued to soak up most of what cash remained available. This year, to mid-June, the latter move had though, the effect of getting things moving again. Mees & Hope, the merchant bank subsidiary of Algemeene Bank Nederland, announced a F1 100m 10-year bond issue at 9.5 per cent, and Fuji, the Japanese camera makers, came along with a F1 100m convertible issue at 4.75 per cent semi-annually over 10 years. Further bonds, issued by ABN and Amro among others, held the rate at 9 per cent through the summer.

The Fuji issue was of particular interest as it was the first-ever Japanese convertible offered on the guilder market. Its rarity value was considerable and it was quickly snapped up by guilder-based institutional investors. Fuji had floated the issue to help finance a new production plant it is setting up in Tilburg in southern Holland, but analysts and investors were speculating on the possibility of other Japanese issues before the year is out.

Talking point

The Philips issue, with warrants entitling the holders to shares at 50 per cent, was a 58 guilder each up to July 1983 (the late June price was around F1 55) was, however, the main talking point in the market in recent months. The issue was priced at par but had risen to 104.5 on its first day. Moreover, while each \$1,000 denomination note bears a rate of only 6.75 per cent, interest in acquiring cheap Philips shares were such that there were long queues to purchase.

Earlier in the year a KLM issue, with "A" and "B" warrants attached entitling bearers to the purchase of airline shares, excited great interest. Analysts were agreed, though, that no other such issues would come along in the Netherlands this year. They were wrong. For not alone did investors in the KLM issue reap an early reward through sharply

improved company profits and a rising share price; Philips came along within three months with an even better offer. Philips, whose share price has been moving up steadily throughout the year, could possibly bring in F1 1.2bn with its share-linked issue and should certainly be in a position to carry out its massive development plans with an easy mind.

In 1982 the total cash volume of bond issues came to F1 11.6bn, of which the state took F1 7.3bn. This year, to mid-June, the total was F1 20.8bn, with state loans accounting for F1 17.5bn. Further issues have followed since, including the Philips and Fuji, but although the total has grown considerably, the surge of interest in equities has still been by far the greater.

What is clear is that equities are supporting bonds. They are the new star attractions. Where the yield on bonds last year was substantially higher than on shares, now the position is reversed, and investors have shown themselves ready to move from one to the other in rapid time. Prices on the Amsterdam exchange moved up this year by an average of 25 per cent, and the price-earnings ratio, which in 1982 had been around 4-5, has gone up to between 7 and 8.

Share investors so far this year have either plumped for the so-called Dutch nationals—Royal Dutch, Philips, Akzo, Unilever and Hoogovens—or, abandoning their previous promiscuity, have sought out low-priced issues with a potential for improvement.

The ANP-CBS general index climbed to a series of all-time highs throughout the summer, reaching 141.4 on July 27, while on the same day, for the first time in the history of the international index passed the 150 mark. The last period of similar rises was back to 1973, so it can be seen that the climb back to prominence has been long and hard.

Baron van Iersum, chairman of the Amsterdam exchange, believes that there is an excellent chance the recovery in shares will continue for some time to come. His view is that there has been a much-needed catch-up, leading perhaps to a prices plateau, and his hope is that the higher prices tend to extend to the smaller, more locally orientated companies, enabling some of them to move on to the primary market.

The Baron recognises that the trading in Dutch shares by

U.S. and UK investors has been a stimulating influence on prices. He is pleased, in this context, that the Dutch, through their new American Shares Amsterdam System (ASAS), have been able to create an American market in Europe. Within ASAS, there is no physical handling of documents; all transfers are done by book entry only. Volume of business follows turnover on the New York exchange, and, as with trading on the bourse in general, there has been a direct correlation between bursts of activity in Wall Street and trading in ASAS shares.

U.S. listings

At the same time Dutch shares have been traded heavily on the New York market. Fokker now relies on the U.S. for much of its share investment, while Philips is now 20 per cent American-owned through its U.S. listings. KLM's recent new share issue was 50 per cent destined for Wall Street. Internationalisation, therefore, is not a one-way street.

The Baron is also pleased with the development this year of the 12-month-old Dutch parallel market, which followed the London Unlisted Securities Market and has done similar good work with smaller companies trying out their exposure to the market place.

This emphasis on equality of information reflects the fact that close to 50 per cent of risk capital in the Netherlands is provided by private investors. The bourse management appreciates how much the course of investment can depend on individual, but is pleased, too, that institutional investors are to receive relief under proposals from the Government for the ending of double taxation on dividends.

Overseas investors are not yet scheduled to receive any help from the Dutch revenue authorities, despite the fact that, largely stimulated by foreign demand, the overall liquidity of the Amsterdam market has increased dramatically in recent months. Total turnover in 1982 increased by some 60 per cent and a similar rise in activity characterised the first five months of this year. The turnover in shares, for example, has almost tripled in recent months. The Amsterdam market is booming and the barometer is set fair for some time to come. Little wonder the bulls are pawing the ground.

Fledgling flies high in upstream

Options exchange

WITH THE Dutch equities market booming, Amsterdam's traded options market, the European Options Exchange, is finding itself caught up in the explosion. Records are being set every month as—to change the image—the former fledgling of the Bourse, flies free on an updraft of investor euphoria.

Euphoria, as has long been demonstrated by psychology, is not a stable state. In extreme cases it can be drug-induced. In the case of the options exchange it seems to have been brought about by a need not so much to force a way out of the economic recession as to act as though there were no recession in the first place. People need to make money even in a slump. Some people need to make fortunes. Thus the options market—closest approach to pure gambling within legitimate speculation—is trading high on self-administered adrenalin. It is investor pitting wits against the market, with the former becoming the latter without the intervention of actual industrial recovery.

Of course it could happen, as in similar circumstances in the past, that the wish will become the act—with the phenomenon of the self-fulfilling prophecy actually serving to produce reality. Manufacturing industry needs money to rebuild, expand and undertake vital research. That money is being provided by the markets, gone into nervous overdrive in response to the last two moribund years.

Five years ago, when it first began functioning in a converted corn exchange in the centre of Amsterdam, daily turnover was only 700-800 contracts. By mid-June of this year a daily average of 24,500 options—a record—was being traded, with calls accounting for just over two-thirds of business and puts the rest.

In April, just after the one millionth contract for 1983 had been concluded—a feat which last year took until October to perform—Mr Tjerk Westerterp, director of the exchange, described growth as "explosive". He was right. Since then the two-millionth contract has been concluded and the exchange appears ready to break records at a record rate.

Because overall volume is still quite small—despite the recent surge—the emergence of a single new focus can dramatically alter the profile of a week. Thus the Dutch State Loan in June, at 9.5 per cent, produced nearly 25,000 transactions,

nearly a fifth of the total for the week in question. Philips options, too, have been very much in demand this year, while other Dutch "internationals" together account for a great deal of business done.

The balance between bond options and stock options varies considerably from week to week. Last year, as on the main bourse, bonds were in the ascendant and carried all before them. This year, equities are back. Philips, Royal Dutch and then, some way behind, Akzo and KLM are the big movers.

Against the wishes of the organisers and founders, the Amsterdam options market has not lived up to its name as a European institution. Foreign investors trade on the exchange and some foreign options, notably West German, are traded. But most business transacted is firmly Dutch in character, albeit with an international flavour.

Learning ropes

Among the more recent innovations gold and silver options and foreign exchange options have made a slow start. Investors come and go and the markets sometimes perk up. But for many with money to place it is still a matter of learning the ropes. Gold was first traded in 1981 and suffered initially from the slump in world bullion prices. Some 2,000-3,000 contracts per week are now being concluded. With silver, first traded in April of this year, weekly turnover has built up to between 1,000 and 1,500. Currency trading has been sluggish. Dollar and D-mark options have often been stuck in the low hundreds.

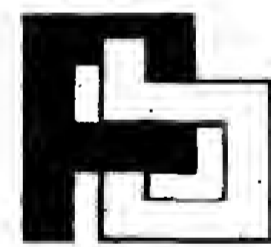
This month the exchange is launching its newest option, perhaps the most self-referential yet. Index options will in future be traded so that investors can minimise the risks of holding a Dutch share portfolio. These will be based on the price fluctuations of the 15 Dutch companies quoted on the exchange and will have lives of three, six and nine months, expiring in April, July and October. According to the exchange, index options could also be used to "gamble" on the Amsterdam stock market by means of calls and puts relating to expected price movements.

It is a success story the more remarkable for having produced a bumpy ending from very inauspicious beginnings. The options exchange has done a Lazarus. For the first three years of its life, as a speculative offshoot of the Bourse (not all of whose members had much faith in the project), the

exchange lost money and ended very much at the grace and favour of its parent. Indeed, there were times when the former corn exchange was a place of tranquillity—a sort of chapel annex to the Bourse—in which a busy speculator could rest awhile and toy with his options as though with his beads.

In 1981 the European Options Exchange turned a profit—only F1 26,000, it is true, all of which had to be paid to the bourse, but a profit nonetheless. Last year earnings had risen to F1 690,000, and for 1983 a

million guilders at least seems well on the cards. Mr Westerterp announced recently that the exchange was not in business to make a profit on its own account. Even so, income certainly helped its position and prestige. Half of the 1982 earnings only were handed over to the Bourse. The rest was placed in a reserve. A similar transfer could take place with 1983 earnings, and the result could well be an institution secure in its place and with just the mildest thickening around the waist to see it through any hungry times to come.



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NETHERLANDS BANKING V

Mood of cautious optimism

Insurance

THE BUFFETING received by the Dutch insurance industry as the recession took hold last year has eased off considerably in 1983. Most of the five large quoted concerns suffered a fall in profits in 1982 and one of them, Amfas, slipped into such heavy losses that it had to drop its final dividend.

Since then non-life insurance has in a number of instances turned around, while the buoyant life sector has continued to move steadily ahead. Earnings everywhere are up and there is cautious optimism about the position as a whole. The increase in life premium volume follows a trend established in the last few years. Possibly because of pressures on the Dutch social security system, there has been a surge in sales of private pension and annuity schemes. Individuals appear to be responding to threats of state cut-backs by taking out extra provision on their own account, a move that is effectively encouraged by the state through financial concessions allowing premiums of up to £15,000 (£3,400) a year to be set against personal tax liability.

The effect of this rise in demand varied from company to company, depending on the relative size of the life sector in their overall business. As a rough rule of thumb, industry revenue — premiums plus investment income — is split approximately half and half between life and non-life business. But Nationale-Nederlanden, for example, with a disproportionately large life sector, was able to raise pre-tax profits by 3.1 per cent last year in spite of a 54 per cent drop in non-life profits. Its premium income from life business rose by 21 per cent

to £1.41bn (£930m), taking profits up by 15 per cent to £1.323bn (£73m) in this sector.

By contrast, the steep climb in life profits at Amfas in 1982 was completely wiped out by losses in the rest of the group, in particular from its marine underwriting. This operation, established in London only six years ago, went the way of the rest of the depressed sector last year, while its property portfolio has had to be shored up by a £1.75m (£17m) provision against past and prospective losses.

Several of the other insurance groups have also been suffering from their exposure in the property and mortgage fields. From being a lucrative—and safe—investment in Holland's growth environment of the 1970s, property has fallen into a much more hazardous phase. House prices have slumped, along with inflation declining to under 3 per cent, some owners have found themselves over-committed. With inflationary gearing taken out of the system, lenders have had to rescind some loans, while the houses they have financed have declined in value by up to 30 per cent in some cases.

Investment

Despite these problems in some sections of their investment portfolios, however, the Dutch companies have generally managed to generate satisfactory returns on their assets. The main focus of their investment lies in the capital markets, only about 5 per cent of their funds goes into the equity market, with the rest spread around in state bonds, mortgages and loans to commercial enterprises.

Notes on long-dated fixed interest stocks are still around 9 to 10 per cent in Holland, but with the roll-over of substantial bonus payments for reinvestment, along with the extra pre-

mium volume, investment returns rose by more than 30 per cent for the industry last year.

This performance has clearly provided an additional cushion beyond that deriving from life business. But Dutch companies also benefit in their non-life activities from more modest pay-out claims than are common in most other Western countries. The claims ratio—net claims less re-insurance as a percentage of net earned premiums—stood last year at an average of around 73 per cent for the big companies, with Amfas heading the list at around 76 per cent and Amev, which increased its net profits by 9 per cent last year to £1.174m (£40m), down at 62 per cent.

This figure is about 12 per cent lower than, for example, the industry was achieving in the U.S. last year. Indeed, unlike most British and U.S. insurance groups during the recession, the Dutch companies are all on the verge of profitability on their underwriting alone—they have not had to rely solely on investment income to keep their heads above the profit waterline as have so many foreign companies.

To achieve this result the Dutch industry has also had to control its administration and commission costs, which are running at an average of around 28 per cent of premiums. Again, this is a relatively conservative figure by international standards and it means that the combined claims and costs ratio for most Dutch companies is very close to the 100 per cent needed to break even on underwriting. Nationale-Nederlanden, for instance, was comfortably below the break point last year; Amfas is above it, but compares with combined ratios of up to 115 per cent in the U.S., where both costs and claims tend to be higher.

The picture for the first half of this year is rosier. Nationale-Nederlanden earnings moved up by 7.7 per cent to £1.197m; Amev advanced by 8.7 per cent, to £1.91m; Ennia by 7 per cent, to £1.56m; AGO by no less than 40 per cent, to £1.55m, and Amfas achieved a net result of £1.3m to set against its losses of 1982. Not surprisingly, Amfas did not declare an interim dividend.

One of the main threats to the Dutch industry at present is coming from the steady increase in the claims ratio, a common phenomenon in recession-hit economies as individuals and companies alike take a less relaxed attitude to insured losses.

Expansion

The Dutch have themselves responded to competition by expanding overseas — indeed the local market is so mature that it leaves little room for expansion. Thus over the last five years there has been a significant move into the U.S. and Australia by several of the bigger companies.

The current buoyancy of investment returns also suggests that there is little prospect of a serious reduction in competitive forces in the foreseeable future. Established companies will remain under pressure from newcomers attracted by the strong cash flow from premium income and the opportunities for earning a return on it. Nevertheless, the big Dutch groups are currently stepping up their efforts to push through premium increases in sensitive sectors like motor insurance and their shares have responded on the Amsterdam Stock Exchange by picking up steadily in recent weeks. With dividends typically covered two or three times by earnings last year, there are reasonable prospects for growth.

Terry Dodsworth

Welcome news for industry

Taxation

THE PROPOSAL by Mr Herman Ruyter, the Dutch Finance Minister, to cut the rate of corporation tax in the Netherlands from the present rate of 48 per cent to 44 per cent next year and 40 per cent in 1985 is possibly the most encouraging single piece of domestic news the country's industry has had since the recession took hold nearly three years ago.

Manufacturing industry in particular needs a boost. Gross investment in fixed assets fell by 3 per cent in volume terms in the first quarter of this year compared with the corresponding period in 1982. This followed

a further 3 per cent decrease in 1982 as a whole, which took investment down to its lowest level since 1968.

A survey of all manufacturing companies employing 10 or more workers, published in late July, did indicate a 9 per cent improvement this year but nearly all of this projected recovery is accounted for by the oil, chemicals and food processing sectors. Investment in engineering appears set for a 7 per cent decline, with spending in new construction stagnant. In 1982 both these latter sectors dropped back 9 per cent.

The planned cuts in company taxes—confirmed this month by Mr Ruyter in the run-up to next week's 1984 budget announcement—would release billions of guilders of potential investment funds and so enable manufac-

turers to gear up for the promised world economic recovery by means other than simply cutting back and restructuring. They could also mean the difference between life and death for many companies, for while bankruptcies this year have fallen back from the record figures prevailing in the spring and early summer they are still dangerously high and adding daily to unemployment.

A parallel move aimed at releasing hard-earned cash to industry is the increase from 2.25 per cent to 4 per cent of the capital/assets inventory deducted from pre-tax profits. This is designed to help those companies with earnings above the £150,000 level and may be increased again in 1985 to either 5 or 6 per cent.

Turning from the retention of cash already generated to the injection of fresh capital, the Government spoke earlier this year of eliminating the present system of the double taxation of dividends. To have share dividends taxed both prepayment by a levy on the company and again when they show up on the income tax return of a shareholder may swell Government coffers but save during a bull market, as at present, the practice is bound to be something of a disincentive to investment. No immediate plans exist for calling a halt to this second bite at the cherry but it has been suggested that measures could be introduced in time for 1985.

If the West German model for a single tax were to be followed, as has been suggested, the average yield on dividends could rise by two thirds, to 11.4 per cent. James Capel, the stock brokers' survey of this international equities market recently: "We can think of no other move that would create more interest in the market and we remain very bullish of Dutch shares." In the firm belief of a continuation of the long overdue re-rating process.

The mooted legislation, if it comes, will affect only domestic shareholders. Some help for overseas holders of Dutch equities is being considered but the pace here is slow and thus far there is nothing of substance to report.

Changes

It is the recession and the crying need for sharp falls in government spending that has created the climate in which the above changes have been conceived. In the 1980s, and indeed right up to the beginning of the present decade, state expenditure in the Netherlands was constantly expanding. Gas sales and a robust economy generally did little to encourage prudence and too much gas revenue was squandered in the creation of a welfare state that is no longer sustainable. Little thought was given to the future needs of industry.

As the Organisation for Economic Co-operation and Development (OECD) observed in its report this year on the Netherlands, the integration of fiscal and incomes policies has always been a feature of Dutch policy.

"This," says the OECD, "has been the consequence of an elaborate search for consensus between the social partners and

Government, focused on the development of individual real after-tax incomes and their distribution among various segments of the population. In recent years pursuit of purchasing power and labour cost containment has led to a consensus necessary to consensus have constrained tax policies. It has been difficult to use taxation to reduce the government borrowing requirement as this would have conflicted with incomes policies. Nor has taxation been seriously considered as a means of stimulating the economy, given the worsening budget position."

No longer. Ever since the Christian Democrats and Liberals formed their Centre-Right coalition last November, the intention has been to concentrate on the creation of wealth and the use of money to rebuild industrial muscle. The tax weapon, in effect, has been appropriated by the other side.

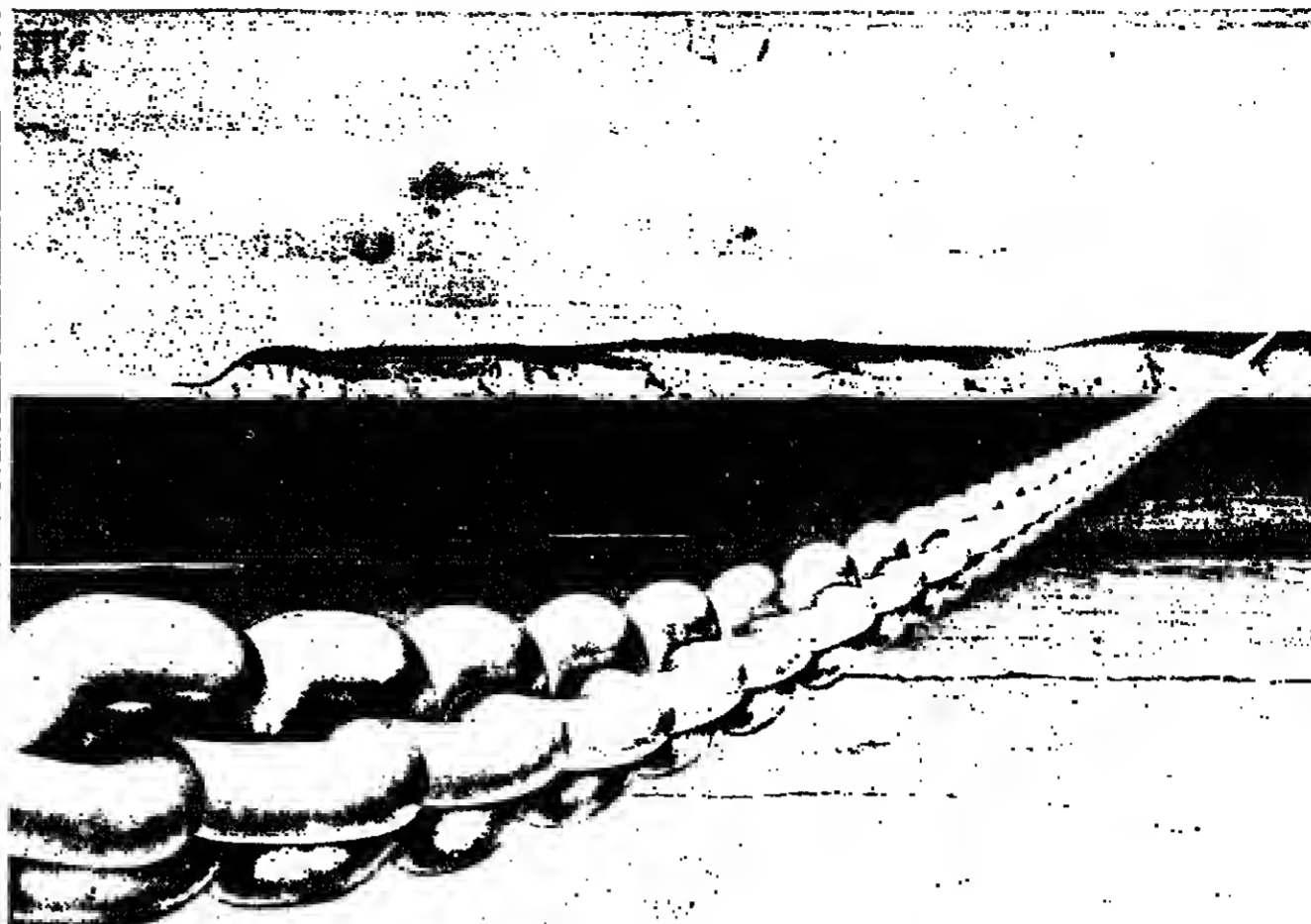
Strategy

Mr Ruyter's range of tax proposals was unveiled last month and agreed within the coalition Cabinet two weeks ago. His strategy is based on raising revenue from taxation itself while cutting the level of social security premiums to both employers and employees. The total burden would be eased. The Minister has put forward a series of tax rises that would on a cost basis, yield £1.38bn more to the Exchequer in 1984 than will have been achieved this year and, on a one-year basis, £1.45bn.

The standard 15 per cent rate of VAT will remain as it is but the low and high rates will each rise 1 per cent. Alcohol and tobacco duties will go up, as will the state's take from increased gas prices. A "temporary" measure, introduced this year, adding 1 per cent to the tax bills of higher income groups is to be extended. The controversial proposal to tax as individuals both partners in a marriage who are working will go through. Taxers between £1,300m and £1,500m in a year.

The last measure has caused much resentment up and down the country and is seen by many as an erosion of state support for marriage as an institution. It will at the same time add some 550 staff to the payroll of the tax authorities at a time when there is a drive to reduce the numbers of civil servants. Defending his planned measures in advance of their formal introduction in Parliament, Mr Lubbers said this month that £1.23bn of his intended increases were made possible by the fact that social security payments by employers and employees are to be reduced. Governments, it would seem, like nature, abhor a vacuum.

So far Mr Ruyter's strategy falls far short of the revolution the Government once had in mind. That, though, is the invariable experience of office. What is clear is that old emphases have been discarded and new ones taken on board. Taxation is no longer seen—as it can be in a prosperous society with high economic expectations—as essentially a tool of social reconstruction. Today tax has reverted to the role of financial instrument and catalyst of expansion. The shift should prove significant.



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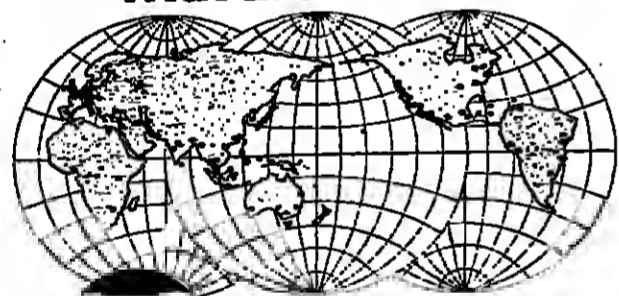
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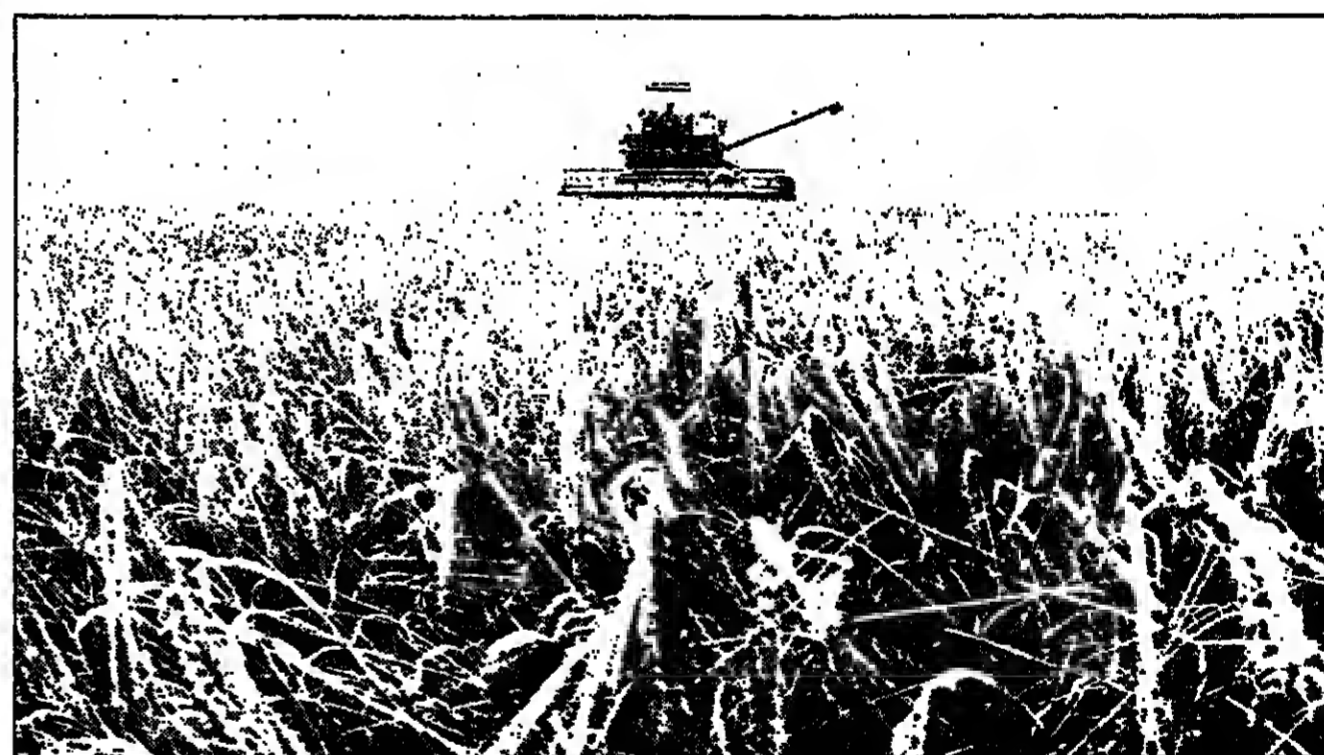


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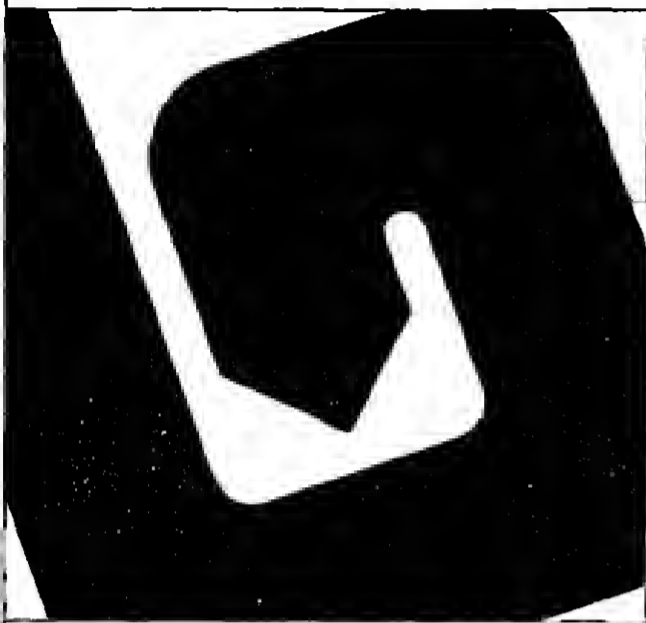
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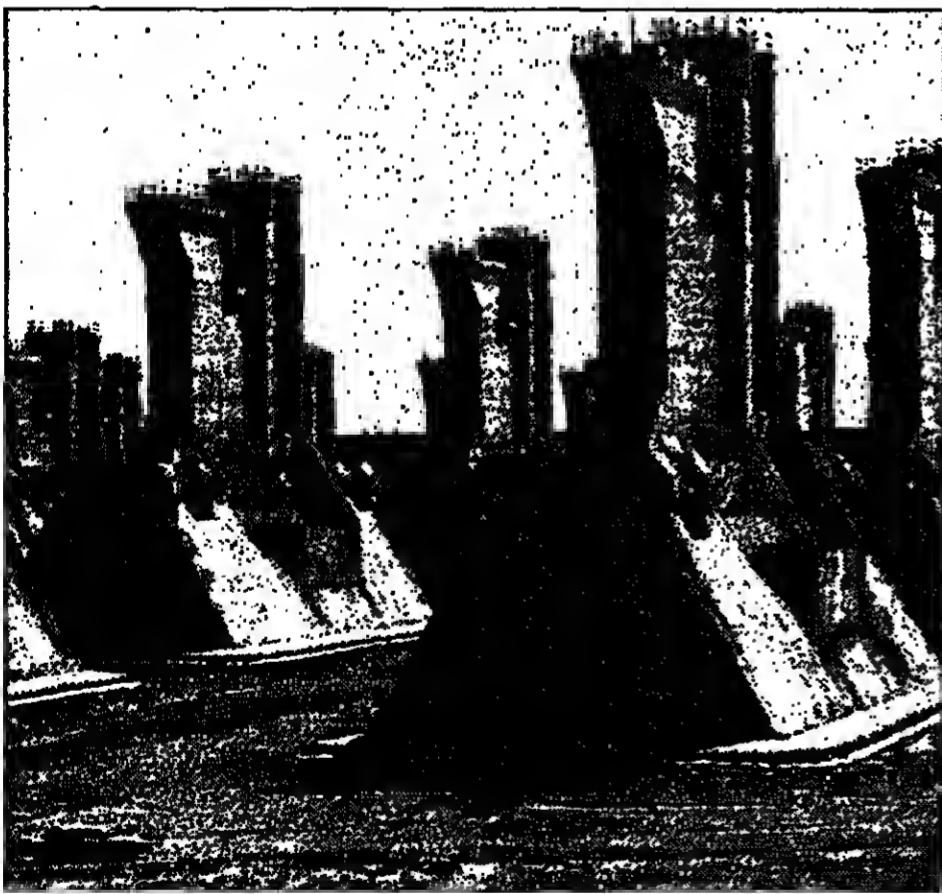
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NETHERLANDS BANKING VI

Profits up with bright future ahead

Investment funds

THOSE WHO like their investments straight will not have suffered this year in the Netherlands from any dilution of their profits. A spiralling upwards trend in equities, coupled with a continuing freedom from capital gains tax, has meant that the private sector has recorded very large gains over the last 12 months. But the Dutch investment funds have not been left behind. Traditionally skilled in the arts of capital appreciation, they have performed extremely well in the period under review and show no sign of flagging. Those funds, meanwhile, such as Wereldhave, which invest in property, have also brought home the bacon.

Everywhere in fact profits are up and the situation, arising directly out of the worst economic recession experienced in the Netherlands since the 1930s, is one of bright hopes and deep, almost smug, self-congratulation.

At the heart of Dutch investment funds is of course the Robeco group, incorporating, as well as Robeco itself, Rolinco, Rorento and Rodamco. In the first six months of this year Robeco's share price rose by 20 per cent in sterling terms. Taking into account a cash dividend of Fl 13 per share paid in April, the increase worked out at 26 per cent. Moreover, the Rotterdam-based trust sees the share price rises of recent months as a sign of confidence in economic recovery and improving business results.

"It is becoming clearer all the time that the low point of the recession is past and that

we have arrived at the threshold of a general recovery in the economy," it said. This comment, made last month, a time when the Dutch domestic economy is showing only the most hesitant and tentative signs of picking up, is a reflection of Robeco's truly international scope. The U.S. continues to be the group's main focal area, with Japan and, to an increasing extent, the Far East in general, the other key sectors of concentration.

Within Holland, Robeco actually reduced its holdings slightly in Philips, Royal Dutch and Unilever - though, reportedly, at "attractive" prices. No interests were bought or added to on nearly all European exchanges. Instead, a few new names appeared in the Japanese, Hong Kong and Singapore portfolios.

Mild policy

In America, with Wall Street powering ahead, Robeco this year decided on a mild policy of profit-taking. Holdings in a number of sectors showing sharp increases - steel, chemicals, technology, public utilities, consumer durables - were reduced and there was a cut too in the number of shares retained in all companies. Dollar interests, which were bedged for 50 per cent, were by mid-August covered entirely against currency risks.

Between January and the end of June Robeco issued 325,593 new shares. Net assets, which had closed 1982 at just over Fl 5bn rose by 23 per cent to Fl 6.2bn. In terms of spread of net assets, 44.2 per cent was in the U.S., 32.3 per cent in Europe, 15.8 per cent in Asia and 8.7 per cent in Australasia. Growth within the associated funds was also considerable. Rodamco, which specialises in

property, issued 2m shares between August 1982 and last month - an increase by 40 per cent - while assets moved ahead to around Fl 1bn. Rorento, the bonds fund, increased its net assets by 10 per cent in the three months to May to Fl 4.7bn, with much of the rise being attributable to the floating of an additional 1.8m shares. Rolinco, which deals in equity growth, saw the price of its own shares go up from £44 to £60.75 on the London Stock Exchange during the six months to the end of February and the rise has continued since.

Rolinco noted as a positive factor in its growth the decline in interest rates and the cutting back of expenditure in many countries. The U.S. and Japan were responsible for a good part of the improvement but there was also a strong contribution by the Dutch equities market.

The Robeco group is something of a national institution in the Netherlands. As the strongest investment fund outside the U.S., it has at the same time attracted a dazzling cast of personalities to act as advisors. In this, its 50th year, it has acting for it Mr Robert McNamara, the former American Defence Secretary and ex-chairman of the World Bank - Mme Simone Veil, until last year president of the European Parliament - Dr Saburo Okuma, a recent Japanese Foreign Minister - Dr Guido Carli, ex-Governor of the Bank of Italy, and Dr Jelle Zijlstra, a long-serving former head of the Nederlandsche Bank.

Other Dutch funds are also doing well. Last year in fact the most impressive investment result was achieved by one of the smaller institutions, Esmeralda, which recorded a

growth of 20 per cent over 1981 and a 150 per cent improvement in the five years since 1977. Second came Rolinco, with 9.8 per cent and 115 per cent, then Robeco (16.5 and 89), Obam (18.4, 83), Amro Pierson (19.7, 82), Belfonds (20.8, 75), Bemco (31.1, 65), ABN Pool (16.4, 64), Algemeene Fondsen Beleg (19.2, 52) and ABN Aandelenfonds (14.2, 50).

Esmeralda's impressive growth has continued since January. At the beginning of the year fund assets stood at Fl 40.9m. By the end of June the figure had risen to Fl 65.5m - leading to a first-half investment result up 15 per cent. The fund's managers emphasised to investors that its primary purpose was the maintenance of the purchasing power of assets and said that their own approach to investment problems remained essentially conservative.

A recent report from Bemco expresses concern about the international debt crisis and sees problems ahead in the key areas of inflation and interest rate fields. Naturally the drop in interest rates and the (general) decline in inflation over the past 12 months have had their effects on the pattern and results of investment, and future growth will continue to depend on how the U.S. Federal Reserve and other central banks can maintain stability and dis-

cipline the markets. Bemco expects Wall Street to continue to surge ahead during the remainder of this year but is less certain of the development of rates.

Property funds in the Netherlands have been much in the news in recent months. Wereldhave, perhaps the best-known of the independent funds, with assets in the U.S. and Europe of more than Fl 1bn, is currently the target of a long-drawn-out takeover bid by a pair of Dutch pension funds, PGGM and PVM. How the bid will end is impossible to say at the time of writing.

Anxious

The two pension funds, which already have substantial property portfolios of their own, are extremely anxious to secure the management expertise and experience of the Wereldhave team as they seek to expand their international real estate holdings. Wereldhave, for its part, believes it is being sold cheap and has resisted every move by the bidders. By the end of August, each side had opened legal proceedings against the other on the issues of who had the right to sell or place which shares privately and the propaganda was relentless.

The offer by PGGM and PVM is Fl 155 per share, and Wereldhave's price on the Amsterdam board appeared

stuck around that value as September began. Investors clearly were not sure which way to jump.

Meanwhile, the biggest Dutch pension fund of all, the Algemeene Burgerlijk Pensioenfonds, with total assets worth a staggering Fl 100bn, ran into trouble in the late summer as it emerged that its property division was under investigation by the Government. There have been allegations of bribery, blackmail and extortionate levels of profit - all denied - and the head of the board of investors has been forced to step down while a police investigation is carried out.

For the Dutch property circuit as a whole, the affair is deeply troubling, with suggestions that property sales at the top level must always be high-pressure, legally somewhat dubious, affairs. There have been many expressions of concern in Parliament and outside and the various investigations into what has taken place at ABP may yet have long-term consequences for the sector as a whole.

But once again profits are up. Wereldhave's first-half result was 20 per cent up and the forecast for 1983 as a whole is excellent. Those witnessing a distinct fattening of their assets in these straitened times are unlikely to complain.

PROFILE: Roelof Nelissen

At the centre of events

ROELOF NELISSEN, chairman of Amsterdam-Rotterdam Bank (Amro) since last June, does not suffer from false modesty. He has always relished being at the centre of events.

In 1956, after taking his degree at the University of Nijmegen, he joined the staff of a pension fund in Amsterdam. Almost at the same

time he became actively engaged in the affairs of the Catholic Employers' Federation and by 1963 - already prominent as an organisation man - he was offered a seat in Parliament by the Catholic wing of the still nascent Christian Democrat Party. Soon he was on the executive.

Seven years of "outsider comment" followed until in 1970, at the age of 39, he was appointed Minister for Economic Affairs in the centrist Cabinet of Prime Minister Piet de Jong. A year later he was promoted to the job of Finance Minister and Deputy Premier in the unsteady administration of Mr Barend Biesheuvel. When this was toppled, giving way to a Labour-led coalition in 1973, Mr Nelissen's own fall was broken by an offer to join the board of Amro. He has no regrets.

Along the road he has picked up no fewer than eight directorships, including Ahold and Schiphol Airport, and served on seven advisory bodies. He is a Commander of the Order of Orange-Nassau and holder of the Grand Cross of the Royal Order of Belgium.

Mr Nelissen's father had been a prominent local politician in the south Flanders area and members of the Catholic wing of the Christian Democrats came naturally to him. "There was no other choice." When he was asked by the party to take up a "quakelidder" (safe seat) by occupying 12th position on the national list, he accepted "on the condition that not too much lobbying was involved." This was agreed.

Crises

In 1963, he says, membership of Parliament was not a full-time job and the then salary of Fl 5,000 a year was only "pocket money." He had been appointed secretary-general of the Catholic Employers' Federation 12 months before and carried on in this work, promoting mainly the interests of small businesses, from an office close-by Parliament buildings in The Hague.

There was also time for contributions to the Social and Economic Council (SER), one of the Netherlands' most influential advisory commissions, and to the Dutch Labour Foundation.

By 1967, however, the Dutch Government was embroiled in one of its interminable crises. Cabinets rose and fell with alacrity in the 1960s and Mr Nelissen was one of those who sought to unite the Centre-Right and restore some stability to politics. Suddenly it was a full-time occupation and in 1969 he quit the federation and enjoyed what he now describes as his "happiest year." Politics was hectic but there was still time to buy a piece of land and build a new home for his wife, three sons and daughter.

His appointment as Economics Minister in 1970 came, he recalls, as quite a surprise. "The longer I was an MP the more I enjoyed it." Dutch Ministers have to leave Parlia-

ment. Their places are taken by previously unsuccessful party members from further down the national list and the newly-elected department heads merely report to Parliament but cannot vote there.

As Economics Minister Mr Nelissen had to fight against inflation, which at a time of extremely rapid economic growth had reached the dizzy rate of 71 per cent. Shipbuilding was also in serious trouble and the Minister's response here was to help bring together the Rijksschelde and Verolme yards to form RSV. Four years later, under his successor (now Prime Minister) Mr Ruud Lubbers, RSV was further expanded and soft-cushioned with state aid. This year it went bankrupt.

Factions

If the booming Dutch economy was able to withstand a bit of trouble on the wages front, the country was not to be spared the full horrors of too broad-based a coalition. There were five parties in the Biesheuvel government and most, Mr Nelissen remembers, were the endless meetings between factions and the late nights in Cabinet. "I enjoyed the influence I had as Finance Minister. But the situation was difficult, with too many different interests competing for attention. At least I left my successor a small budget surplus."

When the Cabinet collapsed Mr Nelissen was asked to become leader of the Christian Democrats. He was also invited to join Amro. "It was clear that I could choose between different occupations. My wife thought it would be a good idea if I joined the bank. I had wanted, after university, to be a national figure. This had happened. What attracted me about Amro was the national and international problems it tackled. A position on the Amro board looked like a position of influence. It meant that I would have to keep an eye on what was going on in the nation and the world."

Shortly after he joined the board the first world oil crisis struck. Initially, however, at least as far as the banks were concerned, it created as many opportunities as problems, centring on the recycling of petrodollars. Amro prospered. It was the long-term effects of the second oil crisis which really pushed the world economy over the edge and with it bank profits.

Today, as Amro slowly begins to pick itself up and improve its performance, Mr Nelissen as chairman is presiding over a period of renewed overseas expansion for Amro. He welcomes this and is confident that banking as a whole can overcome the international debt crisis.

Earnings at Amro itself have recovered this year after a bad 1981 and a worse 1982. At the half-way stage they were 22 per cent up on the corresponding period 12 months previously. But the bank's new chairman believes that gross profits are as important as earnings.

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday September 13 1983



Stockholm market's first outsider

By Kevin Done in Stockholm

NORSK HYDRO, Norway's largest industrial corporation, is to become the first foreign company to be launched on the Stockholm stock market with the sale of shares worth SKr 50m (£7.30m) to Swedish investors.

Swedish regulations make it difficult for shares in foreign companies to be sold in Sweden, but the growth of the Stockholm stock market and the growing internationalisation of Swedish business are increasing the attractions for Nordic companies of having their shares traded in Sweden.

In other Nordic companies whose shares are already traded in Stockholm are Norsk Data, of Norway, and Kone, Wärtsilä and Nokia, from Finland.

Norsk Hydro, which last year had sales of Nkr 20.6bn (£2.7bn) and profits before year-end adjustments of Nkr 1.35bn, is already quoted on stock markets in the UK, Switzerland, France and West Germany, as well as in Oslo. It is 51 per cent owned by the Norwegian state.

The company is selling 100,000 ordinary shares in Stockholm at SKr 500 per share through Scandinavianiska Enskilda Banken. It is not making a new share issue as much but is selling existing shares that have been bought on its behalf during recent months by the Norwegian bank, Den Norske Creditbank.

The shares have been bought up in international markets chiefly from Swiss and West German investors.

The shares are expected to trade at a considerable premium in Sweden and they will be among the few foreign shares exempt from Swedish currency regulations for Swedish investors.

Bank opposes Braniff scheme

By Our Financial Staff

BANK of New York, parent of the 18th largest bank in the U.S., has appealed against a U.S. bankruptcy court's approval of a reorganisation plan by Braniff International, the U.S. airline which filed for Chapter 11 protection in May 1982.

The filing, on behalf of a group of Braniff International creditors, delays completion of the plan, which would have taken place yesterday. The bank has 10 days in which to detail its reasons for appealing.

The bank has opposed the plan mainly on the grounds that possible voting irregularities may have changed the outcome of the vote by debenture holders. Braniff lawyers said they did not expect the appeal to disrupt the airline's plans to resume operations early next year.

Saga awaits consent to sell chemicals unit to state group

By FAYE GJESTER IN OSLO

SAGA PETROLEUM, Norway's independent oil company, yesterday announced that it was selling its loss-making petrochemicals offshoot, Saga Petrokemisk (SPK), to Statoil, the state-owned petroleum group, for Nkr 621m (£83.3m). Subject to government approval, Statoil will take over SPK from January 1 1984, and the purchase price will be paid a year later.

SPK, which partners Statoil and Norsk Hydro in owning and operating the Rafnes Petrochemicals complex in Eastern Norway, was originally owned jointly by Saga (50 per cent) and three Norwegian industrial companies, Hafslund, Dyno and Aardal og Sundal Verk (ASV).

They gave their stakes to Saga for nothing in January, 1982, rather than invest more money in the enterprise.

From next year, therefore, the Rafnes complex will be owned only by Statoil and Norsk Hydro.

The agreement with Statoil, which has been under negotiation

for months, marks another step towards the solution of Saga's cash problems and should make it easier for the company to raise the large loan it has been seeking on the international capital market.

Saga needs to borrow money now to refinance old debts and to cover its share of costs in big Norwegian offshore projects such as Gullfaks, Oseberg, Troll and the Statfjord gas-gathering scheme.

It has stakes in many valuable concessions on Norway's shelf, but virtually its only source of income at present is its 1.6 per cent share of production from the Anglo-Norwegian Statfjord field.

The sale of SPK, ridding Saga of a loss-making operation, will enable it to concentrate its financial and administrative resources on its activity offshore. The price Statoil has agreed to pay corresponds roughly both to SPK's accumulated debt and to Saga's book valuation of its stake in Rafnes.

Rival bid sparks rise in Northwest shares

By WILLIAM HALL IN NEW YORK

SHARES of Northwest Energy, the Salt Lake City-based natural gas pipeline group, jumped sharply yesterday after the announcement of a rival bid worth \$620m from the Tulsa-based Williams Companies.

The bid, worth \$30 a share, comes just over a month after Northwest Energy agreed to a \$31 a share cash offer from an investor group headed by Allen and Company, the New York investment banking group. The earlier bid, which was being structured as a leveraged buy-out in which members of Northwest Energy's senior management would participate, was conditional on financing being arranged.

Allen and Co has been granted an option to purchase from Northwest 3.34m shares of common stock,

equivalent to about 18 per cent of the equity, at \$31 a share. In addition it has an option to purchase all the common stock of Northwest Central Pipeline Company, the group's main pipeline operation, at its book value of \$32m.

That condition was designed to ward off rival suitors for Northwest, which has been the subject of considerable takeover speculation. The stipulation has been attacked by several shareholders and several lawsuits have been filed against the company to block the leveraged buy-out by Allen and Company. The Williams offer depends on the condition's being terminated or declared invalid and Northwest's being restrained from selling the pipeline's shares.

Wessanen in strong half

By OUR AMSTERDAM CORRESPONDENT

REORGANISATION at home and the consolidation of its interests in the U.S. have helped Wessanen, the Dutch-based foodstuffs group, raise its earnings for the first six months of this year by 21 per cent to Fl 13.9m (\$4.7m).

Last year, sales, profits and dividend all achieved record levels, and following publication of its latest, improved results, the company is confident of continued growth.

First-half sales were 15 per cent up on the same period last year, to a total of Fl 1.78bn. The gross operating result came to Fl 57m — up 14 per cent — with much of the substantial outgoings taken up by restructuring costs (Fl 24m) and tax (Fl 19m).

Wessanen expects earnings for 1983 as a whole to be higher than the Fl 28m recorded last year.

Decision on French steel deal due today

By Paul Betts in Paris

THE BOARD of Creusot-Loire, the large French engineering company controlled by the private Empain-Schneider group, meets today to finalise a major restructuring of its operations and assets.

This is expected to involve the sale of most of the engineering company's French steel assets to one of the two nationalised French steel groups, Usinor and Sefinor.

Another aspect of the restructuring involves the possible sale by the engineering concern of part of its 70 per cent stake in Framatome, the leading French nuclear reactor manufacturer.

Creusot-Loire has been seeking help from the French Government since early summer to bail it out of its current financial difficulties. The engineering company lost FFr 670m (£83.15m) last year and has been seeking some FFr 2bn in fresh funds to reconstitute its depleted capital.

M. Laurent Fabius, the French Industry Minister, has said he will decide on the Creusot-Loire case by Thursday. However, Creusot-Loire, which wants to shed all its loss-making steel operations, has already begun its restructuring programme with the decision of its U.S. Phoenix Steel subsidiary to file under Chapter 11 of the U.S. bankruptcy regulations.

This enables a company to seek protection from creditors while it tries to work out a recovery plan. Creusot-Loire's steel assets in France include the Imphy company, which lost more than FFr 200m last year. This company is expected to be sold to either Usinor or Sefinor or both. The engineering company, however, is likely to retain its steel operations, largely serving the nuclear industry.

Creusot-Loire has also been negotiating with Compagnie Générale d'Electricité (CGE), the nationalised electronics and communications company currently engaged in separate talks with Thomson Brandt, the other large, French-nationalised electronics group, on the possible sale to CGE of part of the engineering company's 70 per cent stake in Framatome.

Creusot-Loire is considering selling 35 per cent of its Framatome stake to Alstom-Atlantique, the nuclear engineering subsidiary of CGE. Such a sale is believed to be worrying the French nuclear agency (CEA), which owns 30 per cent of Framatome, and Electricité de France (EDF) the French electric utility.

Grundig considers VHS plan

By John Davies in Frankfurt

GRUNDIG, the West German consumer electronics group, is considering whether it can profitably produce a large batch of video cassette recorders (VCRs) of the Japanese-developed VHS format for export to some foreign markets.

At present Grundig produces only VCRs of the V2000 format developed by Philips, which has a minority shareholding in the German group.

Grundig said yesterday that a company abroad had proposed that the German group should produce "several hundred thousand" VHS format VCRs.

It would take "perhaps two years" to supply the VCRs, which would be sold outside Europe in markets where the V2000 VCRs are not represented.

Grundig refused to name the company which had approached it or the foreign markets envisaged. It said the proposal was still being considered and discussed with the foreign company.

It was possible that such a deal could go ahead under licence from the Victor Company of Japan (JVC), the developer of the VHS system, but so far no discussions had been held with JVC.

The VHS system has by far the biggest share of the world VCR market, although Grundig maintains that the V2000 system will increase its share of sales in the EEC this year.

The latest Grundig development comes hard on the heels of a disclosure that Grundig expects Philips to increase its shareholding in the German concern.

Dr Max Grundig, the company's founder, said last week that he expected Philips to raise its present 24.5 per cent stake to a blocking minority of just over 25 per cent in the foreseeable future. It was conceivable, he said, that Philips would eventually take a majority stake.

THE FORTUNES OF A PORTABLE COMPUTER GROUP SUDDENLY TURN SOUR

Osborne searches for survival

By LOUISE KEHOE IN SAN FRANCISCO

INTERNATIONAL TELEPHONE & Telegraph (ITT), the telecommunications, consumer and industrial products conglomerate, yesterday emphatically denied that it had had contacts with Osborne Computer, the struggling portable computer manufacturer run by English-born Mr Adam Osborne, over a possible takeover. ITT added that it was not interested in such an acquisition.

Osborne, a leading U.S. manufacturer of personal computers, about the Hayward, California, factory on Friday laid off all its production workers. A skeleton staff remains but all manufacturing has been stopped, according to the company.

The shutdown follows a severe decline in sales of Osborne's personal computers, and is seen as the beginning of a long expected shake-out in the overcrowded personal computer market. Osborne's bank debt is believed to stand at \$23m.

Mr Osborne, company chairman and founder, was not available for further comment upon last week's lay-offs, but sources close to the company said that Mr Osborne had indicated that he expected the company to declare bankruptcy this week. Reports that a takeover of Osborne Computer might salvage the company could not be confirmed.

The rise and fall of Osborne's fortunes has been dramatic, even by the standards of the consumer electronics industry. The company shipped its first product in July 1981. "We had our first million-dollar month in September 1981, and our first ten-million-dollar month in August 1982," Mr Osborne boasted recently.

Osborne created a new type of "portable" personal computer with the introduction of the "Osborne 1" two years ago. By packing an entire computer system including keyboard, screen, disk-drives and software into a unit that fitted under an airline seat, Osborne started a trend that has grown into a market worth \$500m this year.

Osborne is estimated to have shipped 73,000 units in 1982 when it dominated the market for portable computers.

Just six months ago, Osborne computers were riding high on a wave of success. Mr Osborne whose outspoken manner and bravado have made him an industry personality, was busy leaking news of two new Osborne computers to the press. British and Irish development authorities were vying for his attentions as each contended for the location of a planned European manufacturing site for Osborne

Computer. Mr Osborne was coyly denying, however, any plans for a public stock offering.

Today, public attention is focusing on whether Osborne computer can survive. Osborne's problems stem from the company's failure to update its product to keep up with competitors, according to market analysts. Mr Osborne himself blames a delay in shipping the new Osborne executive that was introduced in April. He also cites a "stunning switch in the market toward compatible machines."

In a recent interview Mr Osborne said that he was confident that Osborne Computer "would be flying as high as it ever had" by November. "Our problems are not as severe as has been indicated," he said, responding to industry rumours that Osborne would declare bankruptcy.

He described plans to launch a new version of the Osborne that would be compatible with IBM's portable computer. It will be a shocker," boasted Mr Osborne. "We could make more than 20,000 units per month," he predicted.

Mr Osborne said that private refinancing would pull the company through its difficulties but also indicated that merger or acquisition could be a solution. "As larger com-

panies (including IBM) enter the market it becomes increasingly difficult for a small company to survive. A company must either grow large or find a corporate partner."

Mr Osborne declined to identify any prospective partners for his company.

Mr Osborne, aged 44, is the son of British missionaries and was educated in the UK. Before founding Osborne Computer, he was a successful publisher of books on the computer industry. He sold the publishing business to McGraw Hill, U.S. business publisher, before starting up Osborne Computer in 1981.

To strengthen Osborne's management team, the company hired Mr Robert Jauch II, formerly president of Consolidated Foods Corporation. Mr Osborne handed over the title of president to Mr Jauch but remained at the company as chairman.

Is Osborne a victim of the industry shakeout? Mr Osborne dismisses such theories. "There has been a shakeout in the personal computer industry since it began in 1976. The only change is the size of the companies that get shaken out, and the speed with which their fortunes change."

Gelco reports loss

By TERRY DODSWORTH IN NEW YORK

GELCO, the U.S. vehicle fleet and leasing company, slumped to a loss of \$20m in the year to July following a \$10.9m provision for disposal of its Mexican vehicle leasing operations. The company was also hit by a \$11.3m currency change against a translation gain of \$2.8m a year ago. Net profits in the previous year amounted to \$28.6m, or \$2.51 a share.

Gelco said yesterday that its main problems had been encountered in its container services division, which had been affected throughout the year by the depressed level of world trade.

The company had decided to pull out of Mexico because of the lack of a stable economic environment in which to operate.

Danish bank profits up

By HILARY BARNES IN COPENHAGEN

PRIVATBANKEN, Denmark's third largest commercial bank, reported first-half profits up from Dkr 63m (\$8.5m) to Dkr 1.56bn. The increase stemmed entirely from the adjustment for the value of the securities portfolio by Dkr 1.56bn.

Earnings before the adjustment, tax, loss provisions and depreciation were down from Dkr 110m to

Dkr 66m. Operating earnings were adversely affected by a narrowing of the margin between interest on loans and deposits.

The bank's chief general manager, Mr Arthur Schmiegelow, described the results as "extremely satisfactory." The bank also said operating earnings in the second half will be higher than in the first half.

Dekker could provide cash and ideas

Philips chief in the hunt for a German prize

By WALTER ELLIS IN AMSTERDAM

DR WISSE DEKKER, ebullient chairman of Philips, the Dutch electrical giant, has been stalking Grundig, his company's West German partner for several years. But like any good hunter, he is both patient and painstaking, preferring to add a new trophy to his collection through only the cleanest and most humane of "kills".

Grundig is a famous name and a fine company, with a tradition of decent profits still maintained. It is, however, slightly moribund, like much of the West German electronics sector, and is in need of new ideas, fresh capital and state-of-the-art technology. Philips can provide all three, while benefiting from the acquisition of an established company with its own markets. Neither side is in a hurry, but each is determined to see to it that developments are as they would wish, free from unwarranted intrusion. If Grundig is being hunted, it knows that it is prey worthy of effort.

Last week, Dr Max Grundig, the 75-year-old chairman of his privately controlled company, said during a radio interview in West Berlin that he expected Philips to increase its stake in Grundig from the present 24.5 per cent to just over 25 per cent. Under German company law, this would give Philips a veto over any attempted takeover of which it disapproved. Dr Grundig — a paternal figure held in high regard by Dr Dekker — also looked ahead to the purchase by Philips of a majority stake in Grundig.

Philips was perhaps surprised by Dr Grundig's casual announcement of its plans but has said from its



Dr Wisse Dekker

headquarters in Eindhoven that it stands positively behind the sentiments expressed. No approach has yet been made to the German Bundeskartellamt (BKA), whose permission is required for any significant change in the pattern of shareholding in a major company. But a case is being prepared, based on the desire of both sides to work together.

Earlier this year, in March, Philips effectively prevented Thomson-Brandt, the French state-owned electronics group, from taking over Grundig by refusing to sell its own 24.5 per cent holding. The BKA ruled simultaneously, however, that it was against the idea of Grundig becoming part of a near monopoly

of the European electronics industry, so that its approval of any increase in Philips' holding is far from guaranteed.

Dr Grundig said in Berlin that the first step, to the 25.5 per cent level, would probably take place next year. He gave no estimate for phase two, and nor has Philips. The Dutch group will have achieved a large part of its goal by simply ensuring the maintenance of the status quo. The Thomson-Brandt bid unsettled Philips. It could have taken Grundig out of production of the V2000 video cassette recorder, developed by Philips and crucial to its medium-term strategy. Thomson-Brandt at once turned its attentions to Telefunken, in which it bought a 75 per cent stake, and then confirmed its links with JVC group on the assembly of VHS videos. Philips had won an important battle over Grundig but has been concerned since not to lose the war.

By manufacturing its V2000 range, Grundig is an important partner for Philips. It is also a long-standing buyer of electronic components from the Dutch group for its consumer products and, overall, a reliable associate in a key market. Its eventual acquisition would strengthen Philips in Germany and ensure continuing cross-border co-operation in the video and other fields.

Grundig's trouble in recent years is that it has not spent the required amount of time and money in research and development. It is too traditional a company and remains geared up for the 1970s rather than for the 1980s and beyond.

SA anti-trust body to query takeover

By Bernard Simon in Johannesburg

THE SOUTH AFRICAN Government has instructed its anti-trust watchdog, the Competition Board, to investigate the recent acquisition of two scrap metal suppliers by Scaw Metals, a manufacturer of steel products in the Anglo-American group.

The investigation, due for completion within three months, comes within days of an announcement by the Minister of Industries that the Competition Board is to study the increasing concentration of power in South African business.

Anglo American is one of half a dozen companies which have faced a barrage of criticism recently for their alleged control on large chunks of South African business.

Like other South African steel producers, Scaw Metals has been trying to ensure continuity of raw material supplies in view of a likely shortage of scrap metal within the next few years. The group recently commissioned a direct reduction iron plant to lower its dependence on scrap, estimated at around 90 per cent.

The two companies taken over by Scaw, Abkims Steel Corporation and Rand Scrap Iron and Metal, have in the past supplied Iscor, the state-owned steelmaker which accounts for about three quarters of South Africa's steel output. Iscor is said to be concerned about the effect of the acquisitions on its own scrap supplies.

Gen. Cinema boosts profit

By Our Financial Staff

GENERAL CINEMA, a leading independent soft drinks bottler and the largest motion picture exhibitor in the U.S., has resumed its growth pattern decisively after a disappointingly static fiscal 1982 year.

Third-quarter earnings soared by 45 per cent, from \$14.6m to \$21.2m, boosting the nine-month total by 33 per cent, from \$30.7m to \$40.8m.

Earnings per share equalled \$1.13, against 78 cents for the latest three months, and \$2.17 against \$1.50 for the nine months.

The latest figures exclude an after-tax gain of \$40.1m arising from the sale of WCLX-TV, its Miami television station, to Taft Broadcasting earlier this year for \$70m in cash and notes. The 1982 nine-month earnings included a non-recurring income of \$4.4m or 24 cents a share on the conversion of exchangeable debentures.

Revenues in the latest quarter increased by 4.5 per cent, from \$270.2m to \$282.8m. This left the nine-month total almost 5 per cent ahead at \$892.5m, up from \$890.4m.

PACKAGING CONSULTANTS, INC., MAC-PAK GROUP OF COMPANIES

St. Louis, Missouri

have been acquired by a wholly-owned U.S. subsidiary of

BUNZL plc
(a U.K. company)

The undersigned initiated this transaction, assisted in the negotiations and represented PC/Mac-Pak.

A.G. Edwards & Sons, Inc.

One North Jefferson Avenue
St. Louis, Missouri 63103
314/285-3692
Telex: 4474 31 AGE STL

August 1, 1983

This announcement appears as a matter of record only



AGRICULTURAL MARKETING AUTHORITY OF ZIMBABWE

\$18,000,000
Revolving Acceptance Credit

Guaranteed by
The Republic of Zimbabwe

Arranged by the
Grindlays Bank Group

Provided by
The Chase Manhattan Bank, N.A.
The First National Bank of Boston
Grindlays Bank p.l.c.
Lloyds Bank International Limited
Manufacturers Hanover Trust Company
Standard Chartered Bank p.l.c.

Agent
Grindlay Brands Limited

June 1983

Companies and Markets

INTL. COMPANIES & FINANCE

Police raid shakes Carrian creditors

BY ROBERT COTTRELL IN HONG KONG

THE fate of Hong Kong's Carrian group hangs in the balance as local police continue a search of the group's headquarters following unspecified allegations of fraud.

The police search, which began on Saturday, comes just as bankers are being asked finally to approve a reconstruction of the Carrian group's attributable debts, estimated to total US\$700m.

If bankers fail to back the debt reconstruction, Carrian could become Hong Kong's biggest bankruptcy. A deadline for responses had been set at 6 pm local time yesterday, extending an earlier deadline of Friday last week.

An executive of Hambro Pacific, the merchant banking adviser to the publicly-listed Carrian Investments, said yesterday that he could make no comment on whether the debt reconstruction scheme would go ahead.

Banking sources suggest that while most creditors are supporting the bail-out packages for Carrian Investments and its unquoted parent company Carrian Holdings, a significant minority of banks still remain uncommitted, and were unlikely to be impressed by the weekend police swoop.

"It hasn't been torpedoed," said one banker of the rescue bid yesterday, "but tracer bullets are being fired."

Hong Kong's police are making little comment on the object of their search but seem to be concentrating on documents located in managerial offices on the 24th floor of the Carrian Centre, in Wanchai District on Hong Kong Island.

No arrests have been made but police say they are acting on receipt of allegations of fraud. While refusing to give any further details, police sources say the investigation is independent of both the probe into Carrian being conducted by

Hong Kong's Securities Commission, and a police investigation into the death of a local Malaysian banker, Mr. Jalil Ibrahim.

One suggestion current in banking circles is that full details may not yet be known of Carrian's financial relationship with Bumiputra Malaysia Finance, the Hong Kong arm of Malaysia's state-owned Bank Bumiputra.

While BMF is known to be a heavy lender to Carrian, and to other troubled property developers in the Colony, Malaysian government officials have so far sought to play down the extent of BMF's difficulties.

Bankers also note that the police swoop on Carrian is not the only hurdle to a settlement of the group's financial problems. Official clearance is still being awaited for the sale of Carrian's insurance company,

China Underwriters, to Malaysian interests. Carrian's debt reconstruction is also contingent on that deal going through.

The main thrust of the debt reconstruction proposals is that bankers to Carrian Investments should write down their loans in exchange for a new issue of preference shares, while

bankers to Carrian Holdings should simply defer interest and principal repayments. Carrian Investments is a diversified property company. Carrian Holdings' major asset is a stake in Carrian Investments.

Nobody knows who ultimately owns Carrian, though it appears increasingly probable that the group is largely the creation of Mr. George Tan, its chairman.

Reports from Singapore say Mr. Tan may lose his Singapore citizenship by virtue of his recent acquisition of a Paraguayan passport.

Partners in Cooper Basin win price rise

By Michael Thompson-Noel in Sydney

PARTNERS IN Australia's \$1.2bn (US\$1.06bn) Cooper Basin natural gas and liquids project have won a 45 per cent increase in the price paid by New South Wales for gas supplies.

This follows a 79 per cent increase in prices paid by South Australia, announced last September, when the producers agreed to expenditure of at least A\$55m on an accelerated gas exploration programme over a three-year period.

The Cooper Basin partners are starting to reap the benefits of the liquids scheme which came onstream last January. Last week, Santos, the major partner and operator, reported a 95 per cent increase in first half net profit, to A\$8.9m. Its partners include CSR, Crusader Oil, Vangas, and Bridge Oil.

Australia's oil and gas stocks continued to show sharp price gains yesterday, the oil and gas index rising a further 16.9 points to 788.1 on the strength of recent oil discoveries.

The Australia and New Zealand Banking Group said it will include a two-for-one share alternative in its offer for Development Finance Corporation (DFC) in addition to the previously announced A\$11 cash per share. Reuter reports from Melbourne.

At ANZ's current market price of A\$5.28 the alternative is worth A\$10.56 for each of DFC's issued capital of A\$2.35m shares.

ANZ said the share alternative was made at the insistence of institutional holders of DFC who would have faced tax disadvantages had they taken the cash offer.

Marubeni omits interim dividend

BY YOKO SHIBATA IN TOKYO

MARUBENI, one of Japan's major trading companies, vying with C. Itoh for third position in the sector, has announced that it will not pay an interim dividend for the half year to end-September because of a sharp fall in pre-tax profits for the period from ¥10bn to ¥6bn (32.5m).

With a 50 per cent fall in sales of seamless pipes in the U.S. steel sector turnover fell by 20 per cent in the half year. The company also suffered an increased depreciation burden caused by bad debts relating to the ailing Yutani Heavy Industries.

In the year ended March 1983 depreciation costs related to bad debts at the company's affiliates, Nagoya Pulp and Kobe Sugar, increased by 2.2 fold to ¥47.5bn. The company

offset this by selling securities and tapping internal reserves such as its overseas investment loss reserve account.

As a result, the company had to cut its year-end dividend (by ¥1.0) for the first time in 21 years.

Marubeni also had to sell securities in the current half but expects a recovery in sales and profits in the second half based on an upturn in the world economy. The company hopes to pay a year-end dividend of ¥5 per share.

KUBOTA, Japan's leading manufacturer of farm equipment and industrial pipes and machinery has reported a 40.8 per cent setback to ¥1.17bn (37.2m) in consolidated net profit for the first quarter ended July 15, 1983 on sales

down by 3.7 per cent to ¥111.6bn. Net income per ADR (20 shares) for the first quarter was ¥36, compared with ¥45 in the previous year.

Sales of farm and industrial equipment rose by 1.7 per cent in the quarter to account for 41.4 per cent of the total. Sales of pipes fell by 6.3 per cent to account for 38 per cent and sales of industrial castings and machinery were down by 16.2 per cent to account for 16.2 per cent.

Sales of building materials and housing rose by 5.4 per cent to account for 11.6 per cent of turnover and exports improved by 5 per cent to account for 23.7 per cent.

The company attributed the sharp setbacks in earnings to slower sales and intensified competition.

INTERNATIONAL APPOINTMENTS

Marketing post at Mobil

Mr Joe B. Hinton, has been named vice president and general manager of U.S. marketing for MOBIL OIL CORP. from October 15. He is executive vice president, property development and distribution for Montgomery Ward and Co., which, like Mobil Oil, is a Mobil Corp. subsidiary. In the oil marketing post, he succeeds Mr Robert L. Abbot,

who is retiring after 35 years with Mobil.

Mr Jack W. Schuler has been promoted to group vice president of ABBOTT LABORATORIES. Mr Schuler will have responsibility for the company's diagnostics, pharmaceutical, and chemical and agricultural products operations. He has most recently been president of the Abbott diagnostic division. Mr David A. Thompson succeeds Mr Schuler as president of the Abbott diagnostics division. Mr Thompson was corporate vice president, personnel. Mr O. Ralph Edwards, Jr., divisional vice president, corporate personnel, assumes responsibility for personnel and will be pro-

posed for election by the board as corporate vice president.

At the next general meetings of ROLINGCO and subsequently at those of Robeco, Rorente and Rodamco, a proposal will be made to appoint Dr J. Zijlstra a supervisory director of these investment trust companies. From 1966 to 1967, Dr Zijlstra was Prime Minister of the Netherlands. On May 1 1967, he was appointed president of De Nederlandsche Bank, the central bank of the Netherlands. He continued in this function until January 1, 1982. During this period, Dr Zijlstra also acted as president of the Bank of International Settlements at Basle.

BRITISH AMERICAN COSMETICS has appointed Miss Vera Strübel president and chief operating officer of Germaine Montell Europe. Mr Eli Clyne remains chief executive officer and becomes chairman of the board, in place of BAC's chief executive, Mr Eric Morgan. Miss Strübel takes over from Mr Clyne as president directeur générale of BAC's holding company in France, "CPD".

Mr N. B. Aspery, general manager, Commonwealth Development Bank of Australia, has been appointed deputy managing director, COMMONWEALTH BANKING CORP. He succeeds Mr S. P. Kelly who retires on September 15. Mr J. W. Fletcher has been appointed general manager, Commonwealth Development Bank of Australia. He previously held the position of assistant general manager and chief manager international, Commonwealth Trading Bank of Australia. Mr E. C. Johnson, deputy chief manager international, Commonwealth Trading Bank of Australia has been appointed assistant general manager international in succession to Mr Fletcher. Mr R. G. E. Robertson, deputy chief manager, Commonwealth Trading Bank of Australia, London is to succeed Mr Johnson as deputy chief manager international.

BRITISH TIMKEN executive Mr Alastair Simkin, has been appointed director-sales of the Australian subsidiary, Australian Timken Proprietary, at Ballarat, Victoria. Mr Simkin has been manager—automotive sales at the Northampton headquarters.

Mr John Duckett, managing director, Barclays Bank of Ghana, has been appointed managing director of BARCLAYS BANK OF ZIMBABWE from September 16. Mr Lawrence Vambe, a director of Barclays Bank of Zimbabwe, has been appointed chairman of OXYGEN INDUSTRIES (Pvt), the Zimbabwe subsidiary of the BOC Group.

Mr Charles S. Davis has been named president of the EDO international division. He will also serve as assistant to the president of EDO for acquisition and corporate development. Previously, he was president of EDO's recently divested general aviation avionics division.

RENNISON GOLDFIELDS CONSOLIDATED has appointed Mr C. N. Davison executive director—technical.

BATUS INC. has appointed Mr Henry F. Frigon its president. He will assume the duties relinquished by Mr C. L. McCarty, who will remain chairman and chief executive officer. Mr Frigon is executive vice-president and chief financial and administrative officer. Batus is a holding and management company unit of BAT Industries.

THE MARCONI CO. has appointed Mr Ian R. Sutherland chairman of the board of Marconi Electronics Inc. in the U.S. He will be based at MEI's Washington office.

Mr Larry Gallet, vice-president, has been appointed president and chief operating officer of ATLANTIC DESIGN CO. He succeeds Mr Max Schachter, who has been president for 32 years and remains with the company as chairman and chief executive officer.

All of these securities have been sold. This announcement appears as a matter of record only.

NEW ISSUE

September 1983

TRIANGLE INDUSTRIES, INC.

90,000 Units

\$90,000,000 11½% Subordinated Debentures Due 2003
(Interest Payable March 1 and September 1)

and

Warrants to Purchase 1,080,000 Shares of Common Stock

Each Unit consists of \$1,000 principal amount of Subordinated Debentures and Warrants to purchase 12 shares of Common Stock. The Debentures and Warrants will be separately transferable as more fully described in the Prospectus.

L. F. ROTHSCHILD, UNTERBERG, TOWBIN



Jardine Matheson (Finance) Limited

**HK\$1,000,000,000 9½% Guaranteed
Unsecured Loan Stock 1984/95**

Notice is hereby given that the Register of Holders of the 9½% Guaranteed Unsecured Loan Stock 1984/95 ("Loan Stock") will be closed from 1st October to 15th October, 1983 (both dates inclusive) to establish the identity of those loan stockholders entitled to the half-yearly interest payment, payable on 15th October, 1983.

In order to qualify for the interest payment all transfers, accompanied by the relevant loan stock certificates, must be lodged with the Company's Registrars, Central Registration Hong Kong Limited, not later than 4.00 p.m. on 30th September, 1983.

Jardine Matheson (Finance) Limited
Jardine, Matheson & Co., Limited
Secretaries

Hong Kong, 6th September, 1983.

AUSTRALIA

THE MINING AND OIL REVIEW
Information and advice bulletin
for Australia's oil and gas industry
is available in GREAT BRITAIN.
Ask for your FREE COPY of the first
September issue of
AUSTRALIAN NEWS & INVEST
CH 8177 Postland/Switzerland

THE PHILIPPINE

INVESTMENT COMPANY S.A.

Net Asset Value as of
August 31st, 1983
U.S.\$4.15
Listed Luxembourg
Stock Exchange
Agents:
Banque Générale du Luxembourg
Investment Bankers:
Menle Pacific Securities, SA

STOCKHOLDERS FAR EAST

INVESTMENTS INC.

Net Asset Value
31st August 1983
\$2.39
per share (unaudited)

ENERGY RESOURCES &

SERVICES INCORPORATED

Net Asset Value
31st August 1983
\$8.57
per share (unaudited)

Corporate Financial
Counseling Department

The Distillers Company, Limited (a Delaware Corporation)

has acquired the assets and business of

Concannon Winery Corporation and Concannon Vineyards Corporation

The undersigned acted as financial advisor to
The Distillers Company, Limited and
assisted in negotiating and structuring this transaction.



Irving Trust

Irving Trust Company
One Wall Street
New York, NY 10015

*The Morgan Bank office in Milan will be
located, effective September 19, 1983, at
Corso Venezia 54, 20121 Milan
Telephone 77441, Telex 334241*

In Rome: Via Abruzzi 2, 00187 Rome

Morgan Guaranty Trust Company of New York

UK COMPANY NEWS

£7m midway lift for S. Pearson

A NEAR £7m jump in pre-tax profits to £27.2m for the first half of 1983 is announced by S. Pearson & Son. Net interest charges were cut by £2.6m.

The directors are lifting the interim dividend from 3.75p to 5p net, but stress that it should not be assumed that the final will also be increased over last year's 7.45p.

The strike of the Financial Times cost more than £4m in the period; for the second half the cost is likely to be substantially less than the original estimate of £6m.

A strong recovery by two principal businesses was the primary reason for the profit increase. Fine china benefited from better trading conditions in North America and its rationalisation moves, and its pre-tax profit rose from £1.5m to £2.5m. Westminster Press has also been taking stringent action to reduce costs and improve the performance of its less profitable newspapers. As a result, its pre-tax profit rose from £1.5m to £2.5m. Westminster Press has also been taking stringent action to reduce costs and improve the performance of its less profitable newspapers. As a result, its pre-tax profit rose from £1.5m to £2.5m.

DIVIDENDS ANNOUNCED

Company	Current Dividend	Date of Payment	Corresponding Dividend	Total Dividend	Total Dividend
Anglo-Indonesian	1.00	Jan. 3	1.00	2.00	2.00
Bemrose	4.4	Nov. 8	4.4	8.8	8.8
Blockleys	2.75	Nov. 8	2.75	5.5	5.5
C. D. Bramall	2.35	Nov. 23	2.35	4.7	4.7
Breville Europe	3.15	Dec. 1	3.15	6.3	6.3
W. Canning	0.5	Dec. 1	0.5	1.0	1.0
Chambers & Fergus	0.75	Dec. 1	0.75	1.5	1.5
City & Comm.	1.8	Sept. 30	1.8	3.6	3.6
City & Comm.	1.8	Sept. 30	1.8	3.6	3.6
Haywards	1.8	Oct. 3	1.8	3.6	3.6
Investment Dis.	1.5	Oct. 21	1.5	3.0	3.0
Low & Bonar	1.0	Oct. 21	1.0	2.0	2.0
Merchants Trust	1.0	Oct. 21	1.0	2.0	2.0
Murray Glendevon	2.15	Nov. 16	2.15	4.3	4.3
S. Pearson	5.0	Nov. 16	5.0	10.0	10.0
H. & J. Quick	0.53	Nov. 16	0.53	1.06	1.06
Thurais	2.0	Oct. 24	2.0	4.0	4.0
Twinkl	0.8	Oct. 24	0.8	1.6	1.6
Wolstenholme	2.5	Oct. 18	2.5	5.0	5.0

Dividends shown per share net of tax where otherwise stated. * Equivalent after allowing for scrip issues. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Total 3p to be recommended.

Twinlock PLC

Unaudited results for the half-year ended 28th August, 1983

	6 months to 28.8.83	6 months to 28.8.82	Year to 28.8.83
Sales	28,833	29,822	27,833
Trading profit of the Group	1,303	877	1,909
Finance Charges	(385)	(451)	(837)
Profit before Taxation	918	426	1,072
Taxation	(201)	(112)	(317)
Minority Interest	(9)	(15)	(21)
Profit before Extraordinary Items	708	299	734
Earnings per Ordinary Share	3.31p	1.40p	3.43p

The Chairman, Mr. John Murray, commented:—
—Improved performance attributable to a 21% increase in UK sales, which were specially strong in the first quarter.
—Sales by our overseas subsidiaries were 6% down due to economic problems in their markets.
—An interim dividend of 0.6 pence (0.4 pence) net per share will be paid on 11th November, 1983 to shareholders on the register on 14th October, 1983.

C. D. Bramall
MAIN DEALERS
Record Half Year Profits

	Half year ended 30.6.83	Half year ended 30.6.82	Year ended 30.6.83
Turnover	30,683	30,682	31,122
Profit before tax	1,273	1,053	1,933
Profit after tax	677	554	1,136
Dividend per share, net	2.35p	2.05p	6.00p

"I have pleasure in reporting record half-year profits, 21% up on 1982; turnover increased by 37%. August proved to be a record for vehicle registrations and I believe your company obtained its share with over 1,500 new units being delivered in the month. This has obviously given the company a good start to the second half of the year and, provided that during the last three months we see vehicle sales at the level initially forecast by the manufacturers, I expect the company to achieve a satisfactory overall result for the year."

Tony Bramall, Chairman

Interim Report available from The Secretary, C. D. Bramall PLC, 146/148 Tong Street, Bradford BD4 9PR

Halftime profit for Quick Gp.

FORD main dealer H. and J. Quick Group has returned to profits with £289,000 pre-tax for the first half of 1983. This compares with a £10,000 loss for the corresponding period, which had been increased to £115,000 by the year end.

Turnover for the half-year was ahead from £48.55m to £49.52m. The final dividend is 3.15p and the interim dividend is 3.15p. After tax of £17,000 (£14,000) the net profit was £27,000 (loss £124,000). The interim dividend is again 0.55p.

First half growth at Blockleys

Growth has been shown by Blockleys, maker of facing bricks, in the first half of 1983, and the directors are raising the interim dividend by 10 pence, from 2.5p to 3.5p net, as a reflection of their confidence in the prospects for the rest of the year.

Turnover was up from £1.75m to £2.09m, reflecting in part the expansion of production for the private housing market where a slightly lower margin was more than compensated for by higher sales volume.

Profit advanced from £277,000 to £306,500, after interest charged nearly doubled to £34,000 before tax of £127,000 (£122,000). Earnings are shown at 11.85p (10.15p).

The company is continuing to develop new products and markets. The directors remain confident of reporting further progress and achievement at the end of the year. In 1983 profit before tax reached £322,000 and the dividend total was 10p.

Wolstenholme Rink six month fall

ALTHOUGH pre-tax profits at Wolstenholme Rink have slipped from £611,000 to £501,000 for the six months to the end of June 1983 Mr. S. H. Wright, chairman, predicts an improvement depending on demand—profits at the year end.

The net interim dividend has been maintained at 2.5p—in the last full year a final of 3.75p was also paid, from pre-tax profits of £737,000.

Mr. Wright points out that results show a substantial improvement over poor results for the second half of last year. Recovery is, however, from a very low level and profit before tax is similar to that for the first half of 1982.

On future prospects, Mr. Wright says that demand has strengthened slightly, which coupled with measures taken, will lead to improved profits in 1983. The extent of this improvement will however depend on the level of demand in the motor industry.

Turnover for the six months expanded from £8.33m to £9.5m. Business improved across all group companies, says Mr. Wright. The main bronze powder business of Wolstenholme is being moved from Bolton to Darwen. This company is seeing a strong recovery in aluminium business. This will be helped by the purchase from McKemie Metal Powders of machinery for making stake aluminium powder.

Tax for the six months has been estimated significantly lower at £29,000, against £277,000. Capital expenditure, which depressed the tax charge in the last full year, has continued in the first half of 1983, and the tax charge relates to overseas.

Profits after tax improved from £34,000 to £572,000 from which minority interests took £51,000 (£26,000). After extraordinary debits of £36,000 this time, attributable profits emerged up from £308,000 to £485,000.

City & Commercial

Net revenue moved up from £427,732 to £433,876 at City and Commercial Investment Trust for the six months to July 31, 1983. The net interim dividend has been lifted from 1.81p to 1.85p.

Net asset value per £1 capital share is shown as rising from 491.125p to 581.5p.

Tax amounted to £188,008 compared with £194,854.

LADBROKE INDEX
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Second half loss pulls Breville down to £1.1m

AFTER THE disappointing first half, Breville Europe, electrical appliance distributor, has run into a loss of £320,000 for the period January-June 1983. This reduced the profit for the year ended June 30 1983 to £1.12m, compared with £2.53m in the previous year.

The final dividend is 3.15p and the interim dividend is 3.15p. After tax of £17,000 (£14,000) the net profit was £27,000 (loss £124,000). The interim dividend is again 0.55p.

Sales for the year slumped from £18.22m to £11.22m. The major reason was the decline in the overall sales of sandwich toasters in the UK. Mr. W. D. O'Brien, the chairman, reminds shareholders of his optimism about the last year, prior to Christmas, and says the whole supply of stock of sandwich toasters was committed against forward orders.

In the event, he explains, consumer purchases did not match up to trade expectations, and the company had to cancel or suspend orders for further supplies, leaving it with surplus stock. In addition, there remained higher stocks than ever before throughout the year. Therefore, the January-June 1983 period was one in which trade customers lived off this stock and made very few Breville purchases.

Fortunately, the very wide fluctuation in purchases by the trade was not entirely matched by consumer demand which continued at a steady (albeit lower) level.

Mr. O'Brien says the sandwich toaster is still one of the highest volume sellers among small electrical products, and "I believe the overall market has now stabilised and that Breville's share will remain dominant". The company has recently introduced two new models for Christmas.

In the air care products market Breville has achieved a leading position which, although substantial, has not grown as quickly as expected. A new two-speed model has been introduced and is part of the company's plan to take an increasing share of this expanding market. Among other products for this autumn will be an electric jug-kettle and a new food processor.

For the 1982-83 year net profit came out at £702,000, compared with £1.89m, after tax of £421,000 (£1.84m). The ordinary dividend takes the whole of the profit after tax of some £115,000 by two major shareholders, Breville Holdings Pty and Mr. O'Brien. Earnings are shown at 4.3p (11.3p).

Turning to prospects, the chairman says the current year has started slowly, but this is traditionally a period of low sales. A reliable picture does not emerge until the extent of the Christmas ordering is known.

Mersey Docks back in trading profit

THE Mersey Docks and Harbour Company, yesterday reported trading profits of £3.6m, for the first six months of this year, following a series of losses since 1978.

The figure compares with loss of £3.5m in the same period last year and £9.5m for the whole of 1982.

Much of the reason for the company's trading turn round rests on the great strides made last year to cut costs through rationalisation in an attempt to meet the Government's target of breaking even by the end of last year.

This rationalisation has included a reduction in the workforce of 1,800, withdrawal of cargo handling activities from the Merseyhead, a two-year pay and productivity pact and more aggressive marketing.

The company has also been greatly assisted by the Government's decision to write off almost £30m of debts on capital investment, saving Mersey Docks about £3m in interest charges in a full year.

While costs have been lowered, the company's interim revenue has dropped very little, up from £22.5m to £23.9m.

Sir John Page, chairman, says the second half results will almost certainly be inferior to those of the first. This is because Liverpool has taken traffic from other ports which have been in temporary difficulties through strikes and other problems.

Nevertheless Sir John expects the company to make a profit for the full year. "We will go on plugging away doing what is necessary to stay in profit," he said. "There is no doubt we can do it and will do it."

This optimism is qualified by warnings about future trading difficulties and the need to reduce costs further.

Bemrose pushes ahead to £1.15m

IN THEIR interim report covering the six months ended July 2, 1983 the directors of Dechy-based Bemrose Corporation say the results, showing pre-tax profits up from £1.08m to £1.15m, demonstrate the continuation of the pattern of profit growth established last year.

They say the profit was achieved by operations that became highly efficient in an atmosphere of intense price competition which continued to prevail throughout all the group's various markets.

As no quick change is expected in this environment the directors have planned operations to achieve further improvements from the group's own productivity.

First half turnover slipped from £22.26m to £21.75m and at the trading level profits were little changed at £1.39m, compared with £1.38m before deducting lower interest charges of £245,000, against £245,000 previously.

Earnings emerged at 8.02p (7.26p) per 5p share and the interim dividend is being increased by 0.8p to 4.4p net.

The group's principal activities consist of high technology printing and packaging and with order patterns "still very volatile" many of its customers are not prepared to predict whether any recovery will be of sufficient strength to stimulate sustainable levels of stronger demand in their varied markets with the beneficial effects this would bring to the printing and packaging industries.

The directors say the group has the capacity to take on a substantial increase to the level of business.

Meanwhile, they point out that its reputation with the banks for "quality and reliability" and

its investment in high technology have won a major share of new contracts for cheques.

Bemrose has redesigned Lunchers Vouchers to incorporate new security features and this business will increase progressively over the next 12 months.

It has also gained new orders for information processing and microcode in automotive markets and for defence contractors.

The directors conclude that their confidence in the future of Bemrose as a growing independent company has "never been stronger".

comment

Given the intense competition in the packaging sector, both for cartons and flexibles, Bemrose has not done badly to hold itself steady at the trading level. The company keeps its profits break-down safely under lock and key but undoubtedly its printing operations—both security and calendars—are gaining increasing importance. They must be worth more to profits than the 47 per cent contribution in sales. Security printing, in particular, where the company boasts some high technology production, is a valuable asset. Calendars of course present a perennial problem in forecasting at this time of year but assuming the British public want to know what day of the week it is during 1984 profits should not last year's £3m. If Bemrose wants to have another crack at Bemrose it will have to do better than last year's 140p. Or perhaps it will be tempted to take a profit on its near 14 per cent holding and let someone else try for a bid. At 280p the share is yielding close to 8 per cent.

Murray Glendevon falls £0.1m

Net revenue of the Murray Glendevon Investment Trust fell from £407,000 to £316,000 in the year to July 31 1983 and from £320,000 to £304,000 per 25p share.

The year's dividend is being raised from 3p to 3.15p net with a final of 2.15p (2.1p). Net assets per share are given as 291.7p (180.6p).

Gross revenue amounted to £1.83m (£1.55m) and after interest payable of £1.27m (£1.240,000) and administration costs of £85,000 (£67,000) the pre-tax figure came to £478,000 (£453,000). Tax took £162,000 (£236,000).

DOWTY '83
TURNOVER UP 20%.
SALES OVERSEAS EXCEED UK
FOR FIRST TIME.

Turnover increased from £350 million to £420 million, the overseas content exceeding home business for the first time and accounting for 53% of the total.

Total dividend 3.9p compared with 3.7p for 1981/82.

Aerospace and Defence. Demand for commercial aircraft expected to pick up again once airlines move back into profit. Benefits of continuing R & D investment starting to work through, in terms of sales. Confidence in long term prospects unshaken.

Mining. World markets for mining equipment currently depressed but Dowty's continued investment in new product development is based on well grounded optimism in the longer term future of coal.

Electronics. Continued expansion expected following successful new product launches in past year.

Industrial. Increased sales, against background of fierce competition and world recession, at cost of reduced profit margins. Well placed to benefit from upturn in world trading.

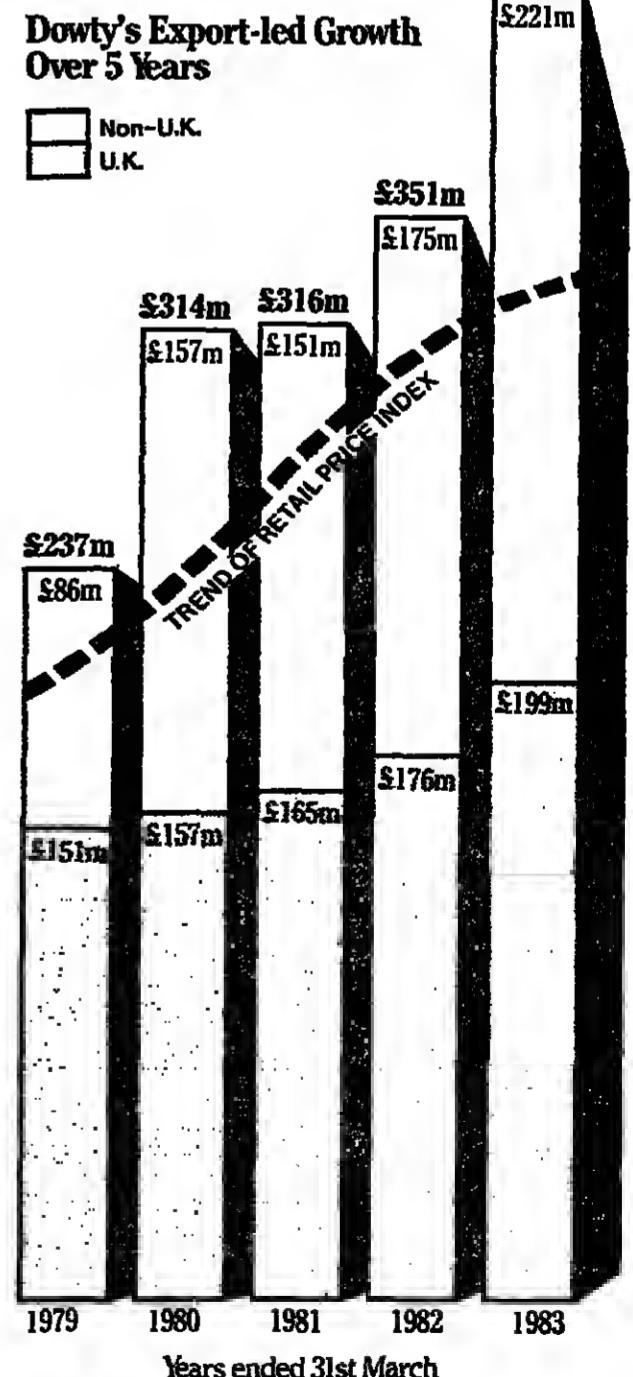
The Chairman, Sir Robert Hunt, C.B.E., commenting on future prospects, said:

"Our confidence in future growth is unshaken."



Results in Brief	1982/83	1981/82
Turnover	£420m	£351m
Trading profit	£42m	£41m
Profit before tax	£36m	£39m
Earnings per share	12.1p	13.6p
Dividends per share	3.9p	3.7p
Times covered by profit after tax	3.1	3.7

Copies of the 1982/83 Chairman's Statement with the Report and Accounts are available from: The Secretary, Dowty Group PLC, Cheltenham, Gloucestershire.



The Annual General Meeting will be at the registered office, Arie Court, Cheltenham, on Thursday 29th September at 11.30 a.m.

STOCK CONVERSION
PROPERTY INVESTMENT, DEVELOPMENT & DEALING

Mr. Robert Clark, M.A., LL.B., Chairman, yet again reports record results for year ended 31st March, 1983.

- * Net revenue before tax £13,792,000.
- * Earned for shareholders—£7,002,000.
- * Dividends paid and proposed £2,486,000—covered nearly 3 times.
- * Additions to reserves—£10,000,000.
- * Shareholders' funds now exceed £240,000,000.

Copies of the report and accounts may be obtained from The Secretary, THE STOCK CONVERSION AND INVESTMENT TRUST plc, 130 Jermyn Street, London SW1Y 4UP. 01-839 7361.

UK COMPANY NEWS

Bramall advances to £1.27m halfway

HALF-TIME figures from C. D. Bramall, motor vehicle dealer, show turnover advancing by £9.15m to £33.63m and pre-tax profit by £220,000 to £1.27m. The interim dividend is lifted from 2.05p to 2.35p net.

Motor dealerships pushed up their profits by 27 per cent over the corresponding period last year. The period was fairly buoyant, with the trading pattern much the same as a year ago—high vehicle discounts and intense competition between manufacturers.

The Vauxhall/Bedford dealership is making a "useful contribution." Parts and service operations all performed well and "provided stability in the company's business." Profit from contract hire, leasing and finance was slightly below last year.

After tax £386,000 (£499,000), the half year's net profit came out at £377,000 (£564,000) for earnings of 12.8p (10.9p) per share. A dividend of 2.35p was received on the interim dividend to the extent of £14,087.

For the year 1982 the company turned in a profit of £1.05m and paid a total dividend of 6p.

Telemetrix plans full SE listing

Telemetrix, a Gloucestershire-based electronics holding company, is finalising plans to obtain a full stock market listing for its shares.

The company was formed in 1978 to provide advanced electronic design and manufacturing facilities for the communications and computing industries.

The company's largest subsidiary, Westward Micro Systems, claims to be the leading European manufacturer of graphic terminals, while other subsidiaries are involved in CAD/CAM computer systems, medical electronics, communications systems and numerically controlled engineering.

Telemetrix's turnover for the year to June 30 1983 was over £5.5m, and pre-tax profits were more than £1.5m. The issue is to be handled by Barclays Merchant Bank and brokers Stok Beech.

Chamberlain Phipps

The Chamberlain Phipps rights issue of 6.1m shares at 48p each has met with an acceptance rate of about 90 per cent.

The balance of the issue has been sold in the market.

Low & Bonar recovers to £2.16m at midterm

A TURNROUND from losses in the British, European and Pacific activities of Low & Bonar helped the group mount a recovery in first half taxable profits from £64,000 to £2.16m in the period to May 31 1983.

The interim dividend of this packaging, engineering, textiles and travel concern is being stepped up from 2p to 3p net per 50p share, on stated earnings per share of 4.18p (stated earnings 10.23p). For the year to November 30 1982 a total of 5p was paid on earnings of 2.01p and pre-tax profits of £53,53m.

A geographical breakdown of the taxable profits which included subsidiaries earnings of £750,000 (£283,000) shows: UK/Europe £53,000 (losses £300,000); North America £1,230m (£224,000); Africa £913,000 (£1,340m); Pacific £268,000 (losses £227,000); and parent company interest and charges not otherwise allocated £365,000 (£375,000). The latter figure fell due to a change in the basis of interest allocation and a reduction in costs.

And a breakdown by division shows: packaging £1,43m (£272,000); engineering £528,000 (£286,000); textiles £802,000 (£846,000); travel losses £398,000 (£365,000); and charges £363,000 (£375,000).

The directors report that although much has been done to eliminate the serious losses incurred by the engineering division in the UK and Europe in 1981 and 1982, much still remains to be done, particularly in the area of transformer manufacture.

"We have been reviewing our major engineering operations with the assistance of consultants and recommendations are expected shortly," they say.

Tax took £1,48m (£1,28m) and after minority interests of £71,000 (£308,000) and extraordinary debts of £94,000 (£247,000) the attributable profits came to £507,000 (losses £1,67m). Dividends absorbed £419,000 (£279,000).

Emerging from a traumatic period of rationalisation Low

and Bonar is now taking stock and seeking areas of growth. Consultants are presently reviewing the long-term future of the engineering division which constituted 21 per cent of pre-tax profits, the results of which will be revealed in the next annual report. Markets for transformers have been depressed in the UK and the Middle East. Packaging has been going well, especially in North America and sales of Floxet carpets, now established in the UK are growing overseas. Low and Bonar has been trying to improve the quality of its earnings by boosting profits in the UK and North America and lessening the dependence on Africa. Currency difficulties have halved profits from Africa to £900,000 in the first half. It contributed £4.7m for the full year last year. The uncertainty in Africa makes it hard to estimate profits for the year but the market has recognised a recovery stock and the shares which have come up from a year low of 70p closed up 2p at a year's high of 112p.

Invergordon Distillers ahead

AN UPLIFT in pre-tax profits from £1.74m to £1.84m has been shown by Invergordon Distillers (Holdings) for the six months to the end of June 1983. However, promotional expenditure in the U.S. and continuing pressure on margins mean the directors think it unlikely that second half profits will reach last year's level of £2.18m.

Sales of this Glasgow-based distiller, whose ultimate holding company is Hawker Siddeley Group, expanded from £10.71m to £10.8m.

The net interim dividend has been held at 1.5p—in the last full year a final of 2.5p was also paid.

Commenting on the period under review the directors say the results are much in line with those of last year, reflecting continuing low demand for new fillings of Scotch whiskeys. However they say this was offset by an increase in sales of neutral grain spirit and sales of matured blended Scotch whiskey.

In recent years much emphasis has been placed on the establishment and development of the company's main brand, Scott's Grey Deluxe Scotch Whisky, in world markets. An opportunity has been taken for the brand to be marketed in the U.S. and an agreement has been negotiated with an importer and distributor to establish the brand in the U.S.

The directors consider that

this project holds considerable potential for the future.

Pre-tax profits were struck after interest payments down from £371,000 to £228,000. Tax amounted to £648,000 compared with £379,000 and earnings per 25p share were shown as slipping from 6.99p to 6.11p.

comment

An Ancient Age could make all the difference to Invergordon's future. The Scottish distiller has found a distributor for its premium Scott's Grey Deluxe in the States. Ancient Age, run by a Mr Falk who is ex-Seagrams and has been in the drinks business for 30 years, will start promoting Scott's Grey in a trade any day now prior to a public launch next month. Certainly Invergordon needs to break into the U.S., but do

American bars need yet another scotch on their shelves? Probably not. Still Ancient Age is the fourth largest selling bourbon so at least Invergordon has bitted its wagon to a distributor with a fair amount of clout. And after all Invergordon does not have to grab much of the 20m case market to make the exercise worthwhile. However the entry fee in terms of promotional costs is heavy and profits will probably fall to around £31m this year. Malt is in the doldrums, whisky filling demand is low with only one spirit for gin and vodka keeping the grain distillery busy. It's hard to imagine that Carlton might suddenly launch a bid so the shares stand on trading prospects alone. Taking a line through the interim tax charge the p/e is around 12 and the yield 4 per cent at 143p.

Tharsis surges to £235,000

First-half taxable profits of Tharsis for 1983 surged from £154,000 to £235,000 on higher turnover of £3.07m compared with £2.55m.

An interim dividend is to be paid for the first time—by this company, which sells (outside Spain) pyrites purchased from Compañia Espanola de Minas de Tharsis—of 2p net per 25p share. For 1982 a single payout of 3p was made from pre-tax

profits of £412,000.

The directors say the increase in turnover is due principally to an increase in mineral sales to the company's Belgian, Greek, Turkish, British and Italian customers. They expect that the export sales tonnage for 1983 will be somewhat higher than 1982 and similar to 1981.

Tax took £14,000 (£6,000) leaving attributable profits of £221,000 (£148,000).

Anglo Indonesian leaps: calls for £1.06m

SIGNIFICANT improvements in the trading performances of both the plantation and engineering businesses together with a satisfactory reduction in group UK bank borrowings enabled the Anglo-Indonesian Corporation to push its pre-tax profits up from just £18,000 to £536,000 for the first half of 1983.

A net interim dividend of 1p is declared and the directors say that since they can reasonably expect generally improved results for the remainder of the year they are planning to recommend a 2p increase in the total payment to 3p per 25p share.

Along with the results they say they are proposing to raise approximately £1.06m net by a rights issue of 1,250,838 shares at 92p per share.

The shares will be offered on a one-for-five basis to ordinary shareholders and on the basis of one-for-four to convertible preference holders.

The proceeds of the issue will be used to reduce the group's bank borrowings and to enable it to expand its plantation interests and, in particular, to finance the further development of the Tasik concession to oil palms in North Sumatra.

Turnover for the half year totalled £12.03m (£11.27m). Profits were subject to tax of £34,000 (£11,000), minorities of £38,000 (£25,000 credit) and extraordinary credits of £63,000 (£111,000 debits).

Earnings for the period emerged at 6.92p (0.87p) undiluted and at 5.15p fully diluted. The profit and loss account excludes the group's Brazilian companies.

Following the return to more normal weather conditions, particularly in Java, tea crops on the group's estates are 19 per cent up on the same period last year.

The group's new planting on its Tasik concession is going well. The Brazilian companies returned profits of £398,000 (£203,000) before taking account of interest and exchange losses of £979,000 (£766,000). Turnover amounted to £2,23m (£4m).

The rights issue is being underwritten by Laurence Prust and Co. Dealings in the new shares are expected to start tomorrow.

First Co-Op Finance

For the 26 weeks to July 9 1983 taxable losses of First Co-Operative Finance, a subsidiary of the Co-Operative Bank, fell from £1.72m to £82,000.

Turnover for the period rose from £48.17m to £54.46m, and the pre-tax result was struck after lower interest of £2,96m against £3.99m. Tax takes £4,000 (£10,000).

As at July 9 hire purchase and instalment credit totalled £87.71m (£68.02m), leased equipment £8.6m (£7.23m), loans £27.82m (£25.9m), and land held for development and work in progress £3.05m (£3.65m).

Cost cutting helps push Canning to £0.8m midterm

THE SUCCESS of reducing operating costs and introducing new products is reflected in an increase from £165,000 to £783,000 in pre-tax profit of W. Canning for the first half of 1983. The group is involved in chemicals, metals and electronics, and did not experience any noticeable improvement in UK demand until June.

The directors have decided that the present position warrants an improved dividend, and are doubling the interim to 0.5p net. Total dividend for 1983 was 1.75p from a pre-tax profit of £636,000, being cut from the 3.75p of the previous year when the interim was 1.75p.

Profitability in chemicals has been restricted by low UK demand despite improvements in productivity, increase in market share of specialty chemicals and widening the range of products. The recently established U.S. business has moved into profit.

Metal refining companies have experienced better profits following the improvement in precious metal prices. The 83 per cent owned HB Electronic Components, which is a member of the USM, is operating well and its trading profit rose from £56,000 to £77,000, and it is paying the promised interim dividend of 0.42p.

Group sales for the half year fell to £26.27m (£25.75m). The

profit was struck after redundancies £45,000 (£112,000) and surplus property costs of £76,000 (£162,000). Tax requires £264,000 (£14,000) and minorities £16,000 (£12,000), leaving the net attributable profit at £473,000 (£138,000) equal to 3.5p (1.1p) per share.

Borrowings are substantially lower than at the end of 1982. Proceeds of assets identified in the 1982 audited accounts as "assets in the course of realisation" amounting to £1.73m had all been received by mid July. Accordingly, interest costs are expected to be lower in the second half.

The group still has available for sale surplus properties with a book value of £1.23m, the majority of this in value is lat to tenants and will be income producing from January 1984. Canning has a minority equity investment in Canning Engineering (Holdings). In June, Canning accessed to the request of Engineering to appoint a Receiver. Canning has an unconsolidated and non-income producing equity investment in Engineering. It is anticipated that appointment of a Receiver will result in Canning having to write off its equity investment from its balance sheet.

comment

W. Canning's efforts to change from an essentially income earning engineering stock to a more broadly based chemicals, metals and electronics growth stock is taking shape though it could take another year or so before the market is really convinced it has succeeded. Well marked as a recovery stock, the shares had come up strongly before the results. They added just 2p to 82p yesterday. The demise of Canning Engineering will make Canning's departure from engineering more costly than it had hoped — but £1.73m profit from property disposals will just about clear the loss and leave borrowings still well down at about 35 per cent of equity at the end of the year. Delighted with the flotation of 17 per cent of HB Electronics on the USM at 38p per share and now standing at 115p per share, Canning is thinking of repeating the exercise at some unspecified date with Marston Bentley. This subsidiary which makes sealants, adhesives and fire resistant hydraulic fluids has a turnover of £8m. Exports and sales overseas, especially in Germany and the U.S., are expanding strongly. Canning seems set to make around £1.75m for the year which on tax charge of 40 per cent puts them on a prospective PE of just under 11.

Freshbake heads back to market

BY DOMINIC LAWSON

Freshbake Foods Group is once again to be a publicly quoted stock by making its debut on the Unlisted Securities Market by way of a placing of 4,215,160 shares at 60p each.

These shares, all of which have been sold by the directors, represent almost 30 per cent of the equity, which in total will be capitalised at £13m at the placing price.

The group was incorporated as long ago as 1953 and became a quoted company in 1948. Thomas Borthwick & Sons acquired 53 per cent of the company in 1972 for £3.1m, and five years later bought out the remainder for £1.1m.

Under Borthwick, Freshbake was consistently loss-making and in 1981 Borthwick sold the group to the present chairman, Mr John Taylor, for £1 together with liabilities of £1.1m.

In its first full year of new-found independence Freshbake made a pre-tax profit of £589,000 on turnover of £19.19m. In the six months to March 31 1983, the company made £503,000 on turnover of £11.4m. For the current year, to March 1984, the company forecasts pre-tax profits of not less than £1.5m. On the anticipated tax charge of only 9 per cent, that puts the shares on a prospective multiple of 9.8. On a fully taxed basis the p/e ratio rises to 15.8. On the

forecast dividend payout, the prospective gross dividend yield is just over 4 per cent at the placing price.

The three subsidiaries of Freshbake are engaged in the manufacture, processing and distribution of frozen foods. The group's customers include Allied Bakeries, Bejam, Finefare, J. Sainsbury and Waitrose.

Following the placing the directors of Freshbake will hold over 70 per cent of the equity. The placing was carried out by brokers Paul E. Schweder, Miller & Co.

comment

When the stock earnings set up the USM to encourage new entrants to its capital markets it can hardly have expected that one applicant would be a group that originally obtained a full listing in 1948. Step forward, Freshbake Foods Group. In fact, there is something fresh about Borthwick, it has regained both independence and profitability. Its strategy of picking off market share from the majors has been to concentrate on clearly defined product lines and then to generate the maximum benefits from high volume and economies of scale. At the same time it has avoided dependence on any one retailer. With the prospect of sharp price rises in foodstuffs after a bad harvest, the outlook

for the frozen foods sector is promising. The fully taxed prospective multiple of 15.8 is not very meaningful in view of Freshbake's capital allowances. On an estimated actual tax charge, the ratio falls to less than 10. In that light, the shares seem reasonably priced.

Hayters

Glass cutting machine maker Hayters fell from taxable profits of £470,000 to £249,000 in the first half to March 31 1983, on higher turnover of £3.43m compared with £3.09m.

With earnings per £1 share of this Unlisted Securities Market quoted company given as 7.8p (11.6p) the interim dividend is being maintained at 1.875p net. Last year a total of 10.5p was paid from pre-tax profits of £759,000.

Trading profits suffered from the launching of new models and fierce competition encountered in the domestic market. However the high level of demand being experienced in the second half indicates a return to previous levels of profitability. The comparative relate only to the company's current business activities and the results of Caribbean Cruisers, which traded for part of that period, are not included.

Tax took £57,000 (£198,000).

S. PEARSON & SON

INFORMATION & ENTERTAINMENT

FINE CHINA

OIL & OIL SERVICES

MERCHANT BANKING

ENGINEERING

LAND & AGRICULTURE

Strong performance in the first half

Group Results for the half year to 30 June 1983

£000 (unaudited)	1983 Half year	1982 Half year	1982 Full year
Turnover (excluding banking and investment income)	332,844	332,765	718,544
Profit before interest	33,704	29,272	76,977
Profit before taxation	27,197	20,210	59,858
Profit after taxation and minority interests	14,593	8,855	30,752
Earnings per ordinary share	15.7p	9.5p	33.1p

The results for the year 1982 are an abridged version of the full accounts which received an unqualified report by the auditors and have been filed with the Registrar of Companies.

Statement by the Chairman, Lord Blakenham

The increase in profits for the first half of 1983 over the comparable period last year is due primarily to a strong recovery by two of our principal businesses. Fine China benefited from better trading conditions in North America and its rationalisation moves in the previous year. Westminster Press has also been taking stringent action to reduce costs and improve the performance of its less profitable papers. As a result, and with Penguin still doing well, profits from the Information and Entertainment sector were higher despite the *Financial Times* strike, which in the period cost us over £4 million. Engineering produced improved figures without any marked change in its trading conditions.

The results for the rest of the year will reflect the downturn in Camco, our American-based oil service business, and the further cost of the *Financial Times* strike; as a result of a greater carry-forward of advertising revenue than envisaged this is likely to be substantially less than the original estimate of £6 million for the second half.

We have recently concluded the acquisition of Frederick Warne, publishers of the Beatrix Potter books, and announced the participation of Goldcrest in a United Kingdom television cable programming company with strong North American partners. Last month the leveraged purchase by a private partnership, including Pearson, of Cedar Point has given us a 37½ per cent interest and released some \$25 million cash after tax for redeployment elsewhere.

On 1st September I succeeded Lord Gibson as chairman and Mr John Hale took up the post of managing director.

Your directors have declared an interim dividend of 5.00p per ordinary share (3.75p in 1982) which will be paid on 4th November 1983 to shareholders on the register on 7th October 1983. It should not be assumed that the final dividend will also be increased.

Blakenham

12th September 1983

A copy of the full announcement is available from the Secretary, S. Pearson & Son plc, Millbank Tower, Millbank, London SW1P 4QZ. Telephone: 01-828 9020.



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SECTION III - INTERNATIONAL MARKETS
FINANCIAL TIMES

Tuesday September 13 1983

WALL STREET

**Spectacular
somersault
from peak**

RUSH HOUR for Wall Street equity traders began the minute the market opened yesterday, bringing an almost immediate 20-point leap in the Dow Jones Industrial average and a first-bour volume which at 37.08m shares was in the all-time top ten, writes Gordon Cramb in New York.

The "one and only reason," as one broker put it, was the entirely unexpected \$2bn drop in the M-1 measure of U.S. money supply announced after last Friday's close, paving the way toward lower interest rates.

Then a spanner was thrown in the works, however, in the form of a market rumour that the Fed's calculations had been wrong and would be revised. This the authorities later denied.

The rumour nonetheless helped bring on a day of volatile gyrations in which the only constant factor was the trading pace as turnover grew to a total of some 115m units.

The Dow, which had effortlessly cleared its peak of 1,248.30 set on June 18, succumbed to profit-taking which left it 10.87 beneath its pre-weekend level at 1,237.07 after a mid-afternoon rally collapsed.

Nearly all sectors benefited from the morning strength, brokers noted, while the mid-session correction brought an equally evenly distributed erosion of these gains.

The credit markets, which on Friday evening had hailed the money supply news with a sharp markdown in yields on government and corporate paper, retained the majority of this improvement yesterday in fairly quiet trading as the Federal Reserve avoided a tightening of liquidity which some had feared would come through bill sales or reverse repurchases.

Dealers there said much of Friday's advance had been achieved on fairly thin volume, and a downward adjustment was no serious cause for concern.

The broad-based nature of the early rally in stocks and the subsequent decline meant it was left to issues surrounded by specific corporate developments to provide the noteworthy movements.

Prominent among these was the intervention of Williams, the fertiliser and energy group, with a \$29 a share bid for Northwest Energy, eclipsing the previously agreed leveraged buyout by an investors' group led by Allen and Co priced at \$31.

Northwest jumped 5 1/2% to \$37 1/2 on the news while Williams shed 1 1/2% to \$26 1/2.

A slide into losses by Celco after large-scale write-offs of the vehicle leasing operator's Mexican involvements had been discounted in advance by the market and its stock improved 5 1/4% to \$17 1/2 compared with a 52-week high of \$27 1/2 and low of \$16 1/4.

Chrysler was active and 5/4 weaker at

\$28 1/2. General Motors fell 1 1/4 to \$72 and Ford shed 1 1/4 to \$60 1/4.

Steels were also weak. U.S. Steel, which denied reports of planned closures, dipped 1 1/4 to \$28 1/2 and National Steel - the Detroit motor industry's main supplier - shed 1 1/4 to \$30 1/4.

Even in the midst of the bull market, meanwhile, a Wall Street broker firm showed one of yesterday's more severe setbacks. Stock in Merrill Lynch dropped 4 1/4 to \$37 1/2 in busy dealings after the firm revised downward its profit projections for the year. Phibro-Salomon relinquished \$2 1/4 to \$28 1/2.

An early afternoon downturn in the government bond markets brought the key long bond, the 12 per cent of 2013, back below the 104 level it had attained on Friday evening when it leapt 1 1/2 points. It stood yesterday at 103 1/2% to yield 11.55 per cent.

At the shorter end the three-month Treasury Bill was discounted at 9.04 per cent, some seven basis points firmer, while the six-month rate moved up the same amount to 9.18. Fed Funds came down to 9 1/2 per cent from Friday's 9%.

LONDON

**Ebullient
gilts steal
limelight**

GOVERNMENT securities surged higher to dominate London stock markets at the expense of leading shares yesterday. Once again, the cause of London's early ebullience was the latest set of U.S. money supply statistics, and the FT Industrial Ordinary share index gained 3 to close at 707.9.

Domestic and overseas investors scenting lower international interest rates vied to obtain stock in markets free of official part following the sell-off early yesterday of remaining supplies of the \$300m tranche of Treasury 12 per cent 1995.

Leading industrials opened sharply higher but a downward turn ensued in markets clouded again by Government BP share sale possibilities and also overshadowed by the revived activity in gilts. Details, Page 31; Share Information Service, 32-33.

AUSTRALIA

CUTS in key domestic interest rates, coupled with optimism over international rates following favourable U.S. money supply figures, drew strong buying interest in Sydney.

Prices rose sharply across a wide spectrum in heavy trading, pushing the All Ordinaries index 6.3 points ahead to a new high for the year of 736.7.

In oil and gas stocks, Santos gained 26 cents to A\$8.76, while Crusader and Vantage both put on 20 cents to A\$4.40. Metasans rose 35 cents to A\$3.25 and Poseidon 40 cents to A\$6.40 in golds, MIM was a rare loser among minings, 2 cents off at A\$4.48.

SINGAPORE

SELECTIVE trading brought strong gains for most issues in Singapore early in the day, but uncertainty set in later. Despite a bout of profit taking before the close, prices still finished ahead, with the Straits Times index 7.45 points up at 974.70. Volume was low.

Hotel stock Faber Merlin gained 5 cents to S\$2.89 and Pan Electric rose a similar amount to S\$3.04, while in property stocks Selangor put on 10 cents to S\$6.60 and Lico Hoe 10 cents to S\$7.80.

HONG KONG

LAST week's 1 1/2 percentage point rise in local interest rates continued to deter investors in Hong Kong yesterday. Stocks generally closed weaker in thin trading, with the Hang Seng index off 11.83 points to 810.92.

Property issues were again under pressure, with Cheung Koo 15 cents easier at HK\$7.05 and Swire Properties and New World Development each 5 cents off at HK\$5 and HK\$2.925 respectively. The weakening Hong Kong dollar was another factor behind the poor tone in equities, brokers said.

SOUTH AFRICA

A PARTIAL retreat in the bullion price had little effect on golds in Johannesburg yesterday. Egoli jumped another 20 cents to R2.33 before closing at R2.20 on news of its plans to acquire new mineral rights and on the popularity of stock options maturing during October.

Other minings and financials logged marginal gains in moderate trading, and industrials were mixed to firmer.

CANADA

BROAD advances were recorded on both the Toronto and Montreal stock exchanges by mid-session yesterday.

The strongest gains in Toronto were in the oil and gas sector, followed by golds. Metals and minings also encountered noticeable rises.

Montreal banks were in the vanguard of the early advances, while industrials and utilities experienced firmness of sentiment. Papers also benefited from the positive tone of the session but not to the same extent as other sectors.

TOKYO

**Buyers bank
on boost for
Wall Street**

THE SHARP plunge in the U.S. money supply announced last weekend encouraged investors to buy blue chips and incentive-backed issues in Tokyo yesterday, pushing up the Nikkei-Dow market average to an all-time high of 9,363.85 at one point, writes Shigeo Nishiwaki of Jiji Press.

The previous record was 9,355.66, registered on September 7. The index of 255 select issues slipped to 9,353.13 at the day's end, still up a healthy 51.12.

Gains edged out losses 332 to 331, with 189 issues unchanged. Volume sagged from 350.52m shares last weekend to 252.10m.

Investors bought blue-chip and incentive-backed stocks in small lots in anticipation that prices would rise substantially on Wall Street later because of the steep decline in money supply. Sony, which may report rapid recovery in its business results for the half-year ending next April, registered a gain of ¥200 at one stage, finishing at ¥3,790, up ¥170.

Fujitsu rose ¥60 to ¥1,410, exceeding its all-time high of ¥1,400 on August 23. NEC gained ¥20 to ¥1,460, Oki Electric ¥27 to ¥732, Matsushita Electric Industrial ¥40 to ¥1,700, Honda ¥15 to ¥895, Canon ¥50 to ¥1,460 and Ricoh ¥27 to ¥928.

Oil advanced because of the yen's firmness. Nippon Oil and Teikoku Oil, which are promoting oil development projects in Oman, rose ¥50 to ¥985 and ¥22 to ¥785 respectively. Mitsubishi Oil added ¥17 to ¥349, Toa Nenryo ¥30 to ¥1,170 and Koa Oil ¥22 to ¥498.

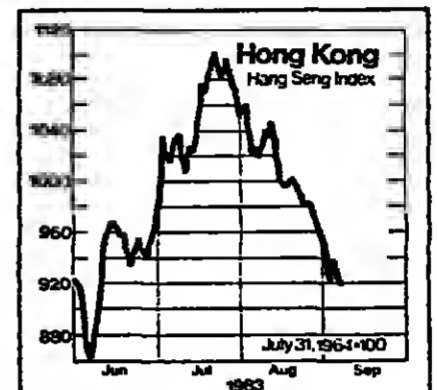
Foreign buying pushed Nippon Steel up ¥3 to ¥171, Kawasaki Steel ¥2 to ¥172 and Nippon Kokan ¥2 to ¥150.

But Arabian Oil, which had been popular among speculators, lost ¥450 to ¥5,850 and Nippon Lac suffered a day's limit loss of ¥200 to ¥1,250. Penta-Ocean went down ¥24 to ¥337 and Shikibu ¥27 to ¥382.

Many city banks, foreign banks operating in Japan, trust banks and cor-

porations offered massive bonds for sale, which a leading securities house estimated at a total of more than ¥200bn. Major brokerage houses bought many of them but later placed sell orders for fear of future price moves.

Yield on the barometer 7.7 per cent government bonds with 6.5 years remaining to maturity dropped from Friday's 7.59 per cent to 7.51 per cent. The bonds were then offered for sale at a yield of 7.54 per cent. Government bonds carrying a coupon of 7.5 per cent and having 9.5 years remaining to maturity changed hands at a yield of 7.85 per cent against 7.94 last weekend, but were later offered for sale at 7.88 per cent.



EUROPE

**Still wary
despite
good omens**

FRIDAY'S announcement of an unexpected fall in U.S. money supply figures combined with the IMF's guarded forecast of recovery for the world economy to give a predictable lift to European bourses yesterday. But trading in most centres was subdued - investors apparently relying on Wall Street's later reaction to tell them how much weight to attach to these two factors.

In Frankfurt, the S2bn fall in M-1 dispelled the fear of still higher U.S. interest rates which has weighed down the market since early July. Moderate buying interest centred on electricals AEG

and Siemens. AEG touched DM 80 before easing to close at DM 79.70 for a gain of DM 1.40, while Siemens rose by DM 4.80 to DM 340.50.

The new Wells preference shares made their debut at DM 379, compared with a subscription price of DM 340.

Motor issues closed higher with Daimler DM 2.70 up at DM 572.20 and VW DM 2.30 ahead at DM 218.70.

In chemicals, BASF firmed 90 pf to DM 150.40 and both Bayer and Hoechst were 70 pf higher at DM 150.20 and DM 155 respectively. In engineering, Linde jumped DM 5 to 376 and MAN gained 50 pf to DM 129.50 but KHD eased 80 pf to DM 240.20.

The FAZ closing index edged ahead 1.11 points to 312.89.

The Bank of France's decision to lower the call money rate by 1/2 of a point to 12 1/2 per cent proved an added incentive in Paris, but again trading was no more than moderate.

In motors, Volvo gained Ffr 3 to Ffr 283 after announcing a one-for-three rights issue at Ffr 220 to raise Ffr 107m, while Peugeot put on Ffr 4.10 to Ffr 206.2.

Construction groups were mainly higher, with Bouygues Ffr 7 ahead at Ffr 732 and Dumez Ffr 118 up at Ffr 909, but Peclain went against the trend in electricals, shedding a half to Ffr 80.

Banks drew particular support from expected lower interest rates in Amsterdam, with ABN gaining Ffr 7 to Ffr 366.

Insurer Ennia rose Ffr 17 to Ffr 162 after a Ffr 16.50 jump on Friday when news of its merger talks with the Ago group was announced.

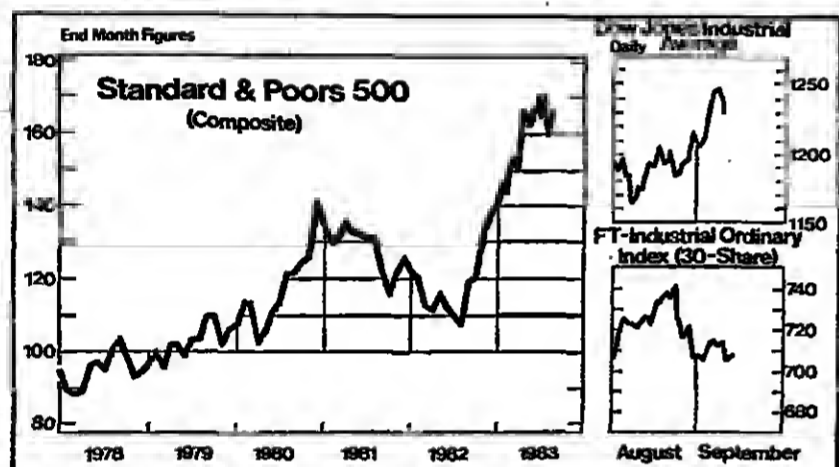
Internationals showed increasing strength later, Unilever putting on Ffr 4 to Ffr 224.50 and Akzo Ffr 1.20 to Ffr 79. Stocks closed slightly lower in Brussels, but traders forecast an upturn today when the Belgian bourse would take its cue from expected rallies in bigger exchanges.

Societe Generale eased Bfr 5 to Bfr 1935, but Petrofin rose Bfr 40 to Bfr 6040 on expectations of a firmer oil market.

Technical considerations ahead of Friday's monthly settlement day saw slight gains in Milan, but trading was thin. Features of selective buying were a L29 gain to L2089 for Fiat and Montedison's L4.75 rise to L234.

In Switzerland, the Zurich and Geneva markets were inactive because of public holidays, but prices closed generally firmer in Basle.

KEY MARKET MONITORS



STOCK MARKET INDICES			
	Sept 12	Previous	Year ago
NEW YORK			
DJ Industrials	1239.07	1239.74	906.82
DJ Transport	566.15	568.66	369.6
DJ Utilities	132.23	131.17	114.48
S&P Composite	165.48	166.92	120.97

LONDON			
	Sept 12	Previous	Year ago
FT Ind Ord	707.9	704.9	571.6
FT-A All-share	451.86	450.21	353.27
FT-A 500	468.65	467.42	390.07
FT-A Ind	437.80	437.01	359.89
FT Gold mines	694.5	691.0	352.9
FT Govt secs	80.82	79.98	77.43

TOKYO			
	Sept 12	Previous	Year ago
Nikkei-Dow	9355.13	9304.01	7105.03
Tokyo SE	687.63	684.6	532.89

AUSTRALIA			
	Sept 12	Previous	Year ago
All Ord	736.7	730.3	492.5
Metals & Mins	613.3	608.2	403.0

AUSTRIA			
	Sept 12	Previous	Year ago
Credit Aktien	56.13	55.27	48.92

BELGIUM			
	Sept 12	Previous	Year ago
Belgian SE	133.14	133.28	100.37

CANADA			
	Sept 12	Previous	Year ago
Toronto Composite	2575.4	2577.0	1604.0
Montreal Industrials	480.33	482.05	293.15
Combined	432.46	432.78	276.41

DENMARK			
	Sept 12	Previous	Year ago
Copenhagen SE	n/a	198.83	84.93

FRANCE			
	Sept 12	Previous	Year ago
CAC Gen	135.2	134.7	98.8
Ind. Tendance	144.8	143.7	113.9

WEST GERMANY			
	Sept 12	Previous	Year ago
FAZ Aktien	312.85	311.48	222.36
Commerzbank	928.8	924.8	674.4

HONG KONG			
	Sept 12	Previous	Year ago
Hang Seng	910.92	922.75	1080.58

ITALY			
	Sept 12	Previous	Year ago
Banca Comm.	199.81	198.95	166.64

NETHERLANDS			
	Sept 12	Previous	Year ago
ANP-CBS Gen	140.5	139.3	87.4
ANP-CBS Ind	112.5	112.0	68.8

NORWAY			
	Sept 12	Previous	Year ago
Oslo SE	211.38	208.45	104.94

SINGAPORE			
	Sept 12	Previous	Year ago
Straits Times	974.7	987.25	639.81

SOUTH AFRICA			
	Sept 12	Previous	Year ago
Golds	973.0	987.9	595.1
Industrials	946.1	945.0	813.1

SPAIN			
	Sept 12	Previous	Year ago
Madrid SE	closed	114.29	102.32

SWEDEN			
	Sept 12	Previous	Year ago
J & P	1500.38	1491.18	627.2

SWITZERLAND			
	Sept 12	Previous	Year ago
Swiss Bank Ind	338.2	337.3	248.5

WORLD			
	Sept 9	Prev	Yr ago
Capital Int'l	180.1	180.7	135.8

GOLD (per ounce)			
	Sept 12	Previous	Year ago
London	\$414.375	\$414.625	\$414.625
Frankfurt	\$416.00	\$414.75	\$414.75
Zurich	\$417.50	\$415.50	\$415.50
Paris (fixing)	\$418.50	\$416.00	\$416.00
Luxembourg	\$417.00	\$414.75	\$414.75
New York (Sept)	\$406.30	\$413.50	\$413.50

* Indicates latest pre-close figure

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Government made
London's Barbican its
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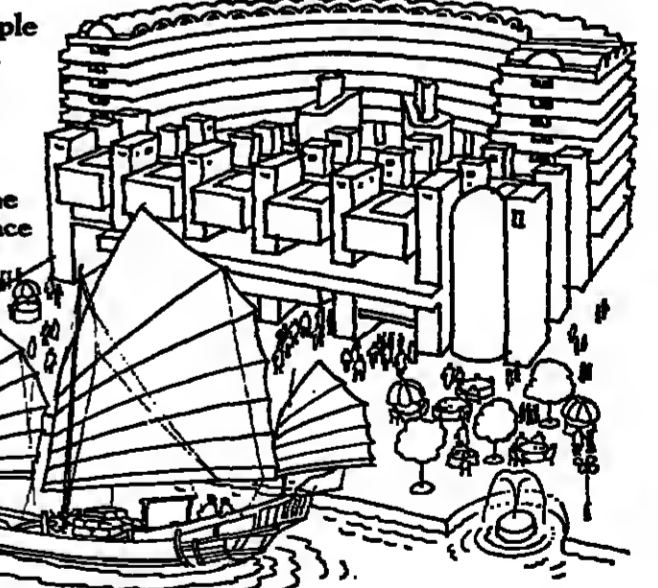
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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

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Sales figures are unofficial. Yearly highs and lows reflect 52 previous weeks plus the current week but not the late trading day. Where a split or stock dividend amounting to 10% or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

d-dividend also includes d-annual rate of dividend paid to stock dividend recipients during calendar year preceding year low-d-dividend declared or paid in preceding 12 months g-included in Canadian funds subject to 15% non-residence tax dividends declared after split-up or stock dividend h-dividend received by shareholder in preceding 12 months i-dividend declared meeting d-dividend declaration or paid this year j-dividend meeting d-dividend declaration or paid this year k-current account issue with dividends in arrears l-new issue in its public offering The high-low range begins with the start of the trading range m-low price n-high price o-high price p-dividend declared or paid in preceding 12 months plus stock dividend q-stock split Dividends begins with date of split r-30c-320c dividend paid in stock in preceding 12 months estimated cash value of stock at time of payment s-new yearly yield t-trading halted via bankruptcy or receivership u-trading resumed organised under the Bankruptcy Act, or securities assumed by such companies; and other distributed w-assumed full value with warrants x-low dividend or no rights y-add-a distribution z-dividend declared or paid in preceding 12 months aa-dividend 2-sales in full

U.S. 111

CANADA | DENMARK | NETHERLANDS | AUSTRALIA | JAPAN (continued)

CANADA				DENMARK				NETHERLANDS				AUSTRALIA				JAPAN (continued)			
Stock	Price	Sept 12	Var	Stock	Price	Sept. 12	Var	Stock	Price	Sept. 12	Var	Stock	Price	Sept. 12	Var	Stock	Price	Sept. 12	Var
AMZN Int.	24 1/2	-74		Aarhus Olie	556.4	+82		ACH Holding	163.5	+1		AKZ Group	8.5	-0.3		Kanamaru	880	-5	
Alcan	19 1/2	-74		Alembicbank	505	+10		Af. Heland	175.5	+6.5		A.O.D.	1.15	+0.21		Kanamaru	880	-5	
Alcan Alum	20 1/2	-74		Alm. Bank	505	+10		Alm. Bank	175.5	+6.5		Ampol Pulp	1.55	+0.02		Kyoto Ceramic	7,450	-50	
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Alcan Alum	20 1/2	-74		Alm. Bank	505	+10		Alm. Bank	175.5	+6.5		Ampol Pulp	1.55	+0.02		Kyoto Ceramic	7,450	-50	

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RECENT ISSUES

despite new Government funding

FT-ACT
These Indices are the jo

QUARIES SHARE

INDICES

in "Down-under" markets and continued to race ahead in London spurred on by various rumours concerning gold discoveries.

Prominent among these stocks were Spargos Exploration, which followed last Friday's jump of 11 with a further improvement of 7 to 43p.

Inter-City Inv.	81	+ 6
Pearson (3.)	354	+22
Plessey	205	+ 1

Based on bargains recorded in Stock
Exchange Official List.

FRIDAY'S ACTIVE STOCKS

[illegible]

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EUROPEAN OPTIONS EXCHANGE								
Series		Nov.	Last	Vol.	Fob.	May	Last	Stock
GOLD C	\$400	6	26	"	"	"	"	\$416.40
GOLD D	\$488	08	18.50	17	26	"	"	"
GOLD E	\$450	10	14	16	"	"	"	"
GOLD F	\$500	30	19	1	24	"	"	"
GOLD G	\$450	6	4.50	6	8 B	"	"	"
GOLD H	\$498	5	"	"	"	"	"	"
GOLD I	\$450	"	"	24 B	"	"	"	"
SILV C	"	Sept.	"	Oec.	"	March	"	\$12.80
SILV D	\$18	3	D.30	"	"	11	1.70	"
SILV E	\$18	2	0.01	"	0.78	1	1.20	"
SILV F	\$14	4	0.05	"	"	40	0.90	"
SILV G	\$12	"	"	"	"	"	"	"
AKZO C	"	Oct.	"	Jan.	"	Apr.	"	F.78
AKZO D	F.95	4	2.50	"	"	"	"	"
AKZO E	F.50	47	1.0	"	"	"	"	"
AKZO F	F.65	7	1.4	20	16.50	10	14.50	"
AKZO G	F.70	146	0.90	15	12.50	14	0.50	"
AKZO H	F.80	16	0.50	135	6.70	"	"	"
AKZO I	F.85	20	0.30	"	"	"	"	"
AKZO J	F.70	16	0.50	51	2.50	"	"	"
AKZO K	F.80	31	3.50	58	11.0	"	"	"
KLM C	F.140	2	16.50 B	20	15.10 B	"	"	F.16C
KLM D	F.150	101	0.70	10	10.70	"	"	"
KLM E	F.160	124	4	"	"	"	"	"
KLM F	F.170	61	3.50	18	7.50	"	"	"
KLM G	F.180	07	1.0	10	4.50	"	"	"
KLM H	F.190	81	1.10	1	4.50	"	"	"
KLM I	F.190	108	8.50	4	10	1.10	"	"
KLM J	F.190	108	8.50	4	10	1.10	"	"
KLM K	F.170	11	12	12	"	"	"	"
PHIL C	F.100	50	14.40	30	"	"	"	F40.50
PHIL D	F.40	20	0.80	"	"	"	"	"
PHIL E	F.45	15	1.50	10	7.50 A	50	5.80 A	"
PHIL F	F.75	73	8.40	130	4.50	50	5.80	"
PHIL G	F.85	289	0.00	187	2.20	55	4	"
PHIL H	F.95	35	0.50	3	2.80	"	"	"
OHIL C	F.40	45	0.39	14	1.10	40	6	1.80
OHIL D	F.45	9	0.45	30	1.10	"	"	"
RHIL C	F.50	175	6.20	188	4.10	"	"	"
OHIL E	F.55	"	"	"	"	"	"	"
RE C	F.120	25	30.50	"	"	"	"	F.145.70
RD C	F.130	101	12.70	54	14.80	"	"	"
RD D	F.140	554	4.80	88	0	37	12.00	"
RD E	F.150	188	1.50	44	4.80	51	5.80	"
RD F	F.180	"	0.39	"	"	"	"	"
RD G	F.180	151	1	66	3.20	50	4.70	"
RD H	F.180	250	6.1	10	7.50	"	"	"
RD I	F.150	31	15	"	"	"	"	"
UNIL C	F.190	5	34	"	"	"	"	F.234.80
UNIL D	F.190	14	2.50	10	29	6	33	"
UNIL E	F.230	177	8.50	26	14.50	"	"	"
UNIL F	F.230	177	8.50	26	14.50	"	"	"
UNIL G	F.190	"	1.50	6	1.10	"	"	"
UNIL H	F.190	"	"	10	2.80	"	"	"
UNIL I	F.250	"	"	"	"	"	"	"
UNIL J	F.250	"	"	"	"	"	"	"
UNIL K	F.250	19	3.40	"	"	"	"	"

Grand	Met. (*319)		
300		25	38
330		10	10

650	7	18	28	40	48	50	Sept. 18	Total contracts 2,107	Case 650	Page 520
* Underlying security price.										

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Insurances—continued

[illegible]

Albany Life Assurance Co Ltd	Filed in:	108 0	114 6	+ 1.6	—
3 Darkes Lane, Petters 8ar.	Soc Sec Sits	124.1	130 7	+ 0.3	—
0707-47311	N America	114.3	120 4	- 1.1	—

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The FT has devised a way of measuring the value and performances of European companies – a way that is realistic and enables you to compare diverse companies offering a kaleidoscope of products and services.

13 European countries are represented in this year's list. Britain leads with 233 followed by West Germany with 79, on down to Norway, Finland and Ireland with less than 6.

The FT's tables rank the top publicly-quoted companies, including banks throughout Europe. And one table ranks the top UK companies, with an analysis of major UK trends.

The articles which accompany the figures explain some of the surprises - for instance why Marks and Spencer comes No. 48 measured by sales, but shoots up to No. 4 measured on the FT's market capitalisation scale.

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INSURANCES

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Life Assurance Co. Ltd. 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 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Geneva sugar agreement talks run into problems

At the opening session, Mr Jorge Zorreguieta, the Argentine president of the conference, proposed in an unhappy phrase "a zone of inaction" which would mean finding a balance between sugar exports, their closely defied price ranges, export quotas and Australia's proposition between the two.

There is, in addition, the problem of Cuba's relationship with the Soviet Union within the context of Comecon and how the price of sugar, as repayment for political and economic

The problems faced by the delegates are considerable. They range from the hard-line approach by the EEC, based on findings for an agreement on reserve stocks, to Brazil's approach which is founded on export quotas and Australia's proposition between the two.

There is, in addition, the problem of Cuba's relationship with the Soviet Union within the context of Comecon and how the price of sugar, as repayment for political and economic

Prospects for lower production and increased sugar use in 1983/84 suggest only a slight price rise in 1984, USDA said.

● **COMMODITY** brokers Rudolf Wolff have launched a comprehensive chart service covering metal, soft commodity and financial futures markets. The

Firmer sterling was a generally depressing influence on the base metal markets, while precious metals were also under pressure in late trading following rumours that Brazil had signed a letter of intent over payment of its external debts. Aluminium futures were hit by renewed selling in early trading. The three months quotation fell to a low of £1,117

Total stocks, including secondary supplies, during July rose slightly to 3,926m from 3,923m in June but were well down compared with July last year when they were 5,068m tons, those at the peak levels reached in 1982.

Alcan confirmed that it has raised its transaction prices for aluminium ingots in the U.S. by 4.50 to 81.5 cents a pound effective from November 1. But the company said the price increases will be applicable for 30 days only.

Lead values held steady, however, in spite of yet another rise in stocks of 3,075 tonnes taking total holdings to a record total of 209,600 tonnes. Zinc stocks increased by 3,500 to 110,375 tonnes, close to the all-time high of 112,950 tonnes reached in October 1976.

Dealers claim, however, that there is still a shortage of special high grade zinc, which is pushing the whole market up.

Nickel stocks rose by 492 to 23,916 and tin by 45 to 43,993 tonnes, but LME silver holdings declined by 10,000 to 36,490 ounces.

The current BSM, Mr. Jack Riedl, was to have resigned in mid-June, but agreed to remain until September 15 because at the last INRO meeting in May, delegates failed to agree on a successor.

The U.S. nominated Mr. Robert Saunders, who was the sole candidate, but producing countries wanted a choice of candidates from the consuming

● Rubber prices fell back on the London physical market yesterday as seasonal production increases ran up against continued sluggish demand.

tinued sluggish demand. The strength of sterling was also a factor encouraging the 3p fall to 74p a kilo in the spot quotation on the London physical market. This took the price 7.50p below the three-year peak reached last month.

A KEY monthly crop report to be released late last night by the U.S. Department of Agriculture (USDA) was expected to estimate a drastically reduced soybean crop between 4.1 and 6 billion bushels, the smallest output since 1970.

Chicago crop forecaster Conrad Leslie predicted on Friday that the record high temperatures and below normal moisture levels of the summer will cut the maize crop to 4.39bn bushels.

Another analyst, James McQuigg, estimated an even smaller crop at only 401bu.

Nevertheless, total wheat supplies will be large because of

USDA officials have made repeated assurances that maize supplies will be sufficient to meet both domestic and export

Many analysts believe that the greatly reduced crop, which could cut carryover to 1bn bushels, will result in a Government decision to offer no acreage reduction programmes in 1984.

● **THE** international jute conference in Calcutta recommended a series of research projects to eradicate major diseases and pests.

● **BOSTON** Environmental Committee, Lincolnshire, has recommended that a local farmer should be prosecuted for contravening by-laws on

● **THE AUSTRALIAN Meat and Livestock Commission** has warned producers to expect the EEC to impose cuts on export shipments of meat, dairy and feed grain.

The most radical change is the present system of separate morning and afternoon trading sessions is to be replaced by a single session starting an hour earlier at 8.30 a.m. and finishing at 3.30 p.m.

monthly positions quoted on the market will be altered to align more closely with those on the highly successful New York (Comex) gold futures contract.

that the International Commodities Clearing House (ICCH) will switch to similar clearing arrangements to those used in Comex and the London International Financial Futures Exchange (LIFFE), whereby unrealised profits will be paid out to LGFM members if they so wish.

arrangements existing in the "soft" (non-metal) London futures markets where the clearing house does not pay out unrealised profits.

Mr Ronald Gee, chairman of the LGFM, said the

changes, agreed unanimously by members of the market yesterday, would be implemented as soon as practicable.

Mr Gee said the main purpose was to improve liquidity of the market. The "refinements" made would enable them to take advantage of the likely resurgence in trading interest after a long quiet

AMERICAN MARKETS

SUGAR WORLD '17					712,000 lbs.
	Closes	High	Low	Prev.	
Dec	22.20	70.43	10.16	10.18	
Jan	22.20	70.43	10.16	10.18	
Feb	22.20	70.43	10.16	10.18	
Mar	22.20	70.43	10.16	10.18	
Apr	22.20	70.43	10.16	10.18	
May	22.20	70.43	10.16	10.18	
Jun	22.20	70.43	10.16	10.18	
Jul	22.20	70.43	10.16	10.18	
Aug	22.20	70.43	10.16	10.18	
Sep	22.20	70.43	10.16	10.18	
Oct	22.20	70.43	10.16	10.18	
Nov	22.20	70.43	10.16	10.18	
Dec	22.20	70.43	10.16	10.18	

LIVE CATTLE

	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug
Det	59.27	59.32	58.56	59.42	59.62	59.62	59.62	59.62	59.62
Det	59.25	59.57	59.17	59.17	59.17	59.17	59.17	59.17	59.17
Det	61.37	61.49	60.65	60.65	60.65	60.65	60.65	60.65	60.65
Det	63.32	63.67	63.67	63.67	63.67	63.67	63.67	63.67	63.67
Det	65.32	65.40	64.95	64.95	64.95	64.95	64.95	64.95	64.95
Det	64.45	64.45	64.45	64.45	64.45	64.45	64.45	64.45	64.45
JUNE HOGS	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45
Dec	43.06	43.06	43.06	43.06	43.06	43.06	43.06	43.06	43.06
Det	43.46	43.80	43.17	43.86	43.86	43.86	43.86	43.86	43.86
Det	43.70	43.85	43.15	43.57	43.57	43.57	43.57	43.57	43.57
Det	47.25	47.30	46.70	47.17	47.17	47.17	47.17	47.17	47.17
Det	48.35	48.35	48.35	48.35	48.35	48.35	48.35	48.35	48.35
Det	54.77	54.80	54.54	54.75	54.75	54.75	54.75	54.75	54.75
Det	56.62	56.55	56.55	56.55	56.55	56.55	56.55	56.55	56.55
Det	56.60	56.50	56.50	56.50	56.50	56.50	56.50	56.50	56.50
Det	58.56	58.56	58.56	58.56	58.56	58.56	58.56	58.56	58.56
Det	54.66	54.60	54.50	54.50	54.50	54.50	54.50	54.50	54.50

MAIZE 5.00 bu to min. cents/56-lb bushel

Dec 59.27 59.32 58.56 59.42 59.62 59.62 59.62 59.62 59.62

Jan 59.25 59.57 59.17 59.17 59.17 59.17 59.17 59.17 59.17

Feb 61.37 61.49 60.65 60.65 60.65 60.65 60.65 60.65 60.65

Mar 63.32 63.67 63.67 63.67 63.67 63.67 63.67 63.67 63.67

Apr 65.32 65.40 64.95 64.95 64.95 64.95 64.95 64.95 64.95

May 64.45 64.45 64.45 64.45 64.45 64.45 64.45 64.45 64.45

JUNE HOGS 60.45 60.45 60.45 60.45 60.45 60.45 60.45 60.45 60.45

Dec 43.06 43.06 43.06 43.06 43.06 43.06 43.06 43.06 43.06

Jan 43.46 43.80 43.17 43.86 43.86 43.86 43.86 43.86 43.86

Feb 43.70 43.85 43.15 43.57 43.57 43.57 43.57 43.57 43.57

Mar 47.25 47.30 46.70 47.17 47.17 47.17 47.17 47.17 47.17

Apr 48.35 48.35 48.35 48.35 48.35 48.35 48.35 48.35 48.35

May 54.77 54.80 54.54 54.75 54.75 54.75 54.75 54.75 54.75

June 56.62 56.55 56.55 56.55 56.55 56.55 56.55 56.55 56.55

July 56.60 56.50 56.50 56.50 56.50 56.50 56.50 56.50 56.50

Aug 58.56 58.56 58.56 58.56 58.56 58.56 58.56 58.56 58.56

Sept 54.66 54.60 54.50 54.50 54.50 54.50 54.50 54.50 54.50

March	372.4
May	379.4

COST		BELLIES 33,000 lb, cents/lb		LOW		PREV	
Month	Cost	High	Low	High	Low	High	Low
Dec	255.0	305.4	223.4			325.8	
Jan	261.0	310.0	228.0			330.0	
Feb	267.0	315.0	233.0			335.0	
March	273.0	320.0	238.0			340.0	
Apr	279.0	325.0	243.0			345.0	
May	285.0	330.0	248.0			350.0	
June	291.0	335.0	253.0			355.0	
July	297.0	340.0	258.0			360.0	
Aug	303.0	345.0	263.0			365.0	
Sept	309.0	350.0	268.0			370.0	
Oct	315.0	355.0	273.0			375.0	
Nov	321.0	360.0	278.0			380.0	
Dec	327.0	365.0	283.0			385.0	
Jan	333.0	370.0	288.0			390.0	
Feb	339.0	375.0	293.0			395.0	
March	345.0	380.0	298.0			400.0	
Apr	351.0	385.0	303.0			405.0	
May	357.0	390.0	308.0			410.0	
June	363.0	395.0	313.0			415.0	
July	369.0	400.0	318.0			420.0	
Aug	375.0	405.0	323.0			425.0	
Sept	381.0	410.0	328.0			430.0	
Oct	387.0	415.0	333.0			435.0	
Nov	393.0	420.0	338.0			440.0	
Dec	399.0	425.0	343.0			445.0	
Jan	405.0	430.0	348.0			450.0	
Feb	411.0	435.0	353.0			455.0	
March	417.0	440.0	358.0			460.0	
Apr	423.0	445.0	363.0			465.0	
May	429.0	450.0	368.0			470.0	
June	435.0	455.0	373.0			475.0	
July	441.0	460.0	378.0			480.0	
Aug	447.0	465.0	383.0			485.0	
Sept	453.0	470.0	388.0			490.0	
Oct	459.0	475.0	393.0			495.0	
Nov	465.0	480.0	398.0			500.0	
Dec	471.0	485.0	403.0			505.0	
Jan	477.0	490.0	408.0			510.0	
Feb	483.0	495.0	413.0			515.0	
March	489.0	500.0	418.0			520.0	
Apr	495.0	505.0	423.0			525.0	
May	501.0	510.0	428.0			530.0	
June	507.0	515.0	433.0			535.0	
July	513.0	520.0	438.0			540.0	
Aug	519.0	525.0	443.0			545.0	
Sept	525.0	530.0	448.0			550.0	
Oct	531.0	535.0	453.0			555.0	
Nov	537.0	540.0	458.0			560.0	
Dec	543.0	545.0	463.0			565.0	
Jan	549.0	550.0	468.0			570.0	
Feb	555.0	555.0	473.0			575.0	
March	561.0	560.0	478.0			580.0	
Apr	567.0	565.0	483.0			585.0	
May	573.0	570.0	488.0			590.0	
June							

March	251.3
May	252.1
July	253.0

[illegible]

~~28-lb 3.00-3.2~~
~~Wages—28-lb~~

Carrots — per pound 0.25-0.30. Corn Cobs
— Each 0.08-0.14. Leeks — Per pound
25-0 30. Carrots — 28-lbs 2.40-3 00.
Cauliflowers — 28-lbs 3.50-4.00. Courgettes
— per pound 0.27-0.30.

All these Bonds have been sold. This announcement appears as a matter of record only.

NEW ISSUE

June 15, 1983

Citicorp Overseas Finance Corporation N.V.

(Incorporated with limited liability in the Netherlands Antilles)

ECU 40,000,000
11 1/4 per cent. Guaranteed Bonds due 1990

Irrevocably and Unconditionally Guaranteed by

CITICORP**Kredietbank International Group****Algemene Bank Nederland N.V.**
Berliner Handels- und Frankfurter Bank
Crédit Lyonnais
Société Générale de Banque S.A.**Citicorp Capital Markets Group****Bank Brussel Lambert N.V.**
Crédit Commercial de France
Crédit Suisse First Boston Limited
S.G. Warburg & Co. Ltd.

Amro International	Banca Commerciale Italiana	Banco di Roma	Bank/Banque Ippa	Bank Mees & Hope NV
Bankverein Bremen AG	Banque du Benelux S.A.	Banque Générale du Luxembourg S.A.	Banque Indosuez	
Banque Internationale à Luxembourg S.A.	Banque Nationale de Paris	Banque Paribas	Banque Paribas Belgique S.A.	
Banque de l'Union Européenne	Bayerische Hypothek- und Wechsel-Bank	Bayerische Vereinsbank		
Caisse des Dépôts et Consignations	CERA-Centrale Raiffeisenbank-Belgium	Commerzbank	Continental Bank S.A.	
Creditanstalt-Bankverein	Crédit Général	Crédit Industriel d'Alsace et de Lorraine	Daiwa Europe	
Deutsche Girozentrale - Deutsche Kommunalbank	Dresdner Bank	European Banking Company	Financière Dewazay S.A.	
Genossenschaftliche Zentralbank AG	Girozentrale und Bank der österreichischen Sparkassen	Goldman Sachs International Corp.		
Hambros Bank	Irish Intercontinental Bank	Istituto Bancario San Paolo di Torino	Kleinwort, Benson	
Kredietbank S.A. Luxembourg	Kredietbank (Suisse) S.A.	Lehman Brothers Kuhn Loeb	Merrill Lynch International & Co.	
Samuel Montagu & Co.	Morgan Grenfell & Co.	Morgan Stanley International	Nederlandsche Middenstandsbank nv	
Nederlandsche Credietbank nv	Nippon European Bank S.A.	Nomura International	Orion Royal Bank	Rabobank Nederland
The Royal Bank of Canada (Belgium) S.A.	Salomon Brothers International	Société Générale	Société Générale Alsacienne de Banque	
Swiss Bank Corporation International	Westdeutsche Landesbank Girozentrale	Wood Gundy Limited		

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Every day read the

FINANCIAL TIMES**EUROBONDS****Rush of issues fails to occur despite fall in US money supply**

BY MARGARET HUGHES IN LONDON

THERE WAS little evidence yesterday of the flood of new issues expected in the Eurodollar market following Friday's news of the fall in U.S. money supply. The only new fixed rate dollar issue was a \$100m seven-year bond with an 11 1/4 per cent coupon priced at par for Citicorp. Lead managers are Credit Suisse First Boston, Citicorp and Merrill Lynch. The bonds are callable after four years at par.

Also launched as expected yesterday was the \$250m 10-year floating rate issue for Indosuez, which on its first day was trading at around 1 1/2 points below par.

Another warrant deal came to the market yesterday with Paribas offering 150,000 warrants to buy 10% per cent U.S. Treasury bonds due in 2012. Each warrant is priced at \$28. The investor will be able to exercise them until June 1984 at four points above today's closing offer price for the Treasury bonds.

In the secondary market prices of fixed rate Eurobonds were marked up sharply in the early hours of yesterday's trading but after some profit-taking closed only 1/2 of a point up in mainly professional dealing.

Elsewhere Beatrice Foods is raising DM 130m through a ten-year issue led by Deutsche Bank. The bonds have a 7 1/4 per cent coupon and are priced at par. This is the first time that this U.S. foods company has come to the DM bond market to raise finance. Secondary market prices in this sector closed slightly up on the day after some earlier profit-taking.

In Switzerland, where most markets were closed for local holidays, Banca del Gottardo launched a SwFr 100m, 10-year public bond issue for the Council of Europe with a yield indication of 6 1/2 per cent.

Hungary loan sell-down 60%

ARAB BANKING Corporation has reported a 60 per cent sell-down of the commercial banks' portfolio of the \$200m loan it is arranging for the National Bank of Hungary - the first in which the World Bank is taking a direct participation of \$30m.

Despite the lack of response from major U.S. banks, the sell-down is well above the 40-50 per cent target set by the eight-strong underwriting group, comprising ABC, Algemene Bank Nederland (ABN), Bahrain Middle East Bank (BMEB), Bank of Nova Scotia, IBI Interna-

tional, Longterm Credit Bank of Japan, Tokai Bank and Svenska Handelsbanken.

Four other banks - Natwest, Rabobank, Postipankki of Helsinki and

WE regret that technical difficulties at Datastream International in London have prevented publication of the FT International Bond Service.

Unio Bank of Finland have taken a management role. The eight co-managers are Amrobank, Central

European International Bank, Dai-ichi Kangyo Bank, Fuji Bank, London, Richard Daus Bankiers of Frankfurt, Sparbanken SDS Copenhagen, Sumitomo Trust and Banking London and Taiyo-Kobe London.

Twelve other banks have joined in at participant level but one or two more still had to confirm on Saturday, having been granted more time to study the \$630m worth of agricultural and energy conservation projects which have been identified as viable by the World Bank.

These securities have been sold outside the United States. This announcement appears as a matter of record only.

U.S. \$40,000,000**Barnett Overseas Finance N.V.**

(Incorporated in the Netherlands Antilles with limited liability)

7 1/4 per cent. Convertible Subordinated Bonds due 1998

Convertible into Common Stock of and Guaranteed on a subordinated basis as to payment of Principal, Premium, if any, and Interest by

**Barnett Banks of Florida, Inc.**

(Incorporated in the State of Florida)

Issue Price 100 per cent.

Shearson/American Express
International Group**Salomon Brothers International****Fox-Pitt, Kelton N.V.****Algemene Bank Nederland N.V.****Julius Baer International****Banca del Gottardo****Banque Nationale de Paris****Banque Paribas****Clariden Bank****Crédit Commercial de France****Kleinwort, Benson****Lloyds Bank International****Morgan Grenfell & Co.****Pictet International Ltd.****J. Henry Schroder Wagg & Co.****Swiss Bank Corporation International****Swiss Bank Corporation International**

August, 1983

Notice to Holders of

NIFCO INC.

(Incorporated with limited liability under the Commercial Code of Japan)

£12,000,000**6 Per Cent. Sterling Convertible Bonds due 1996**

The Board of Directors of the Company decided on the 1st August 1983, to effect a 20% free distribution of shares of Common Stock of the Company on the 30th September 1983. As a result of the above the conversion price of the captioned Bonds shall be adjusted from the present price of Yen 1285 to Yen 1079.20 as from the 1st October 1983, Tokyo Time in accordance with conditions 5(c), (i) of the bonds.

The Industrial Bank of Japan, Limited, London
Principal Paying Agent

U.S. \$30,000,000

SUMITOMO HEAVY INDUSTRIES, LTD.

(Incorporated with limited liability in Japan)

Guaranteed Floating Rate Notes Due 1984

Unconditionally guaranteed as to payment of principal and interest by

THE SUMITOMO BANK, LIMITED

(Incorporated with limited liability in Japan)

In accordance with the provisions of the Notes and Agent Bank Agreement between Sumitomo Heavy Industries Ltd., The Sumitomo Bank, Limited and Citibank, N.A., dated 5th September, 1979, notice is hereby given that the Rate of Interest has been fixed at 10 1/4% p.a. and that the interest payable on the relevant Interest Payment Date, 13th December, 1983, against Coupon No. 17 in respect of U.S. \$25,000 nominal amount of the Notes will be U.S. \$655.54.

September 13, 1983, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK**

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No FT...no comment.

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